



CITY OF WAUWATOSA
BUDGET AND FINANCE COMMITTEE
MINUTES • MARCH 11, 2014

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	Present	
Jill Organ	Alderwoman	Excused	
Joel Tilleson	Alderman	Present	
Brian Ewerdt	Alderman	Excused	
Donald Birschel	Alderman	Present	
Alan Kesner	City Attorney	Present	
James Archambo	City Administrator	Present	
Robert Ugaste	Fire Chief	Present	
James Case	Asst. Fire Chief	Present	
Scott Erke	Asst. Chief	Present	
John Ruggini	Finance Director	Present	

BUDGET AND FINANCE COMMITTEE ITEMS

1. Memo from the Development Department requesting authorization to submit the second round WisDOT Transportation Alternatives Program application

The Committee reviewed a memo from the Development Department requesting authorization to submit the second round WisDOT Transportation Alternatives Program application.

Atty. Kesner explained that the application is for a \$500,000 grant that will be used to install bike sharing stations throughout the City. This grant amount requires a \$100,000 match by the City, 20% of the total grant amount, and the City plans to use private and developer funds for the match amount. Approximately \$50,000 is already covered by two private developers.

Ald. Tilleson applauded the Development Department's efforts to pursue outside sources for the required match amount.

Ald. Hanson asked where the remaining \$50,000 would come from if the City doesn't find developers to cover the cost.

Atty. Kesner explained that the City may also pursue private sponsorship to cover the matching funds, or use TIF funds to cover the cost, and the City has the option to lower the total grant amount to equal the matching funds amount.

Ald. Hanson opined that the motion should include a clause to reduce the total grant if the City fails to collect enough funds from outside sources.

Atty. Kesner explained that the City must match 20% of the total grant award, but the total grant amount could be lowered to equal the matching funds raised, rather than expend City funds for the required matching amount.

However, there is a viability issue with this type of system. A functional bike sharing system requires stations at a reasonable distance apart for ease of use.

Ald. Dubinski noted that this is an application process and, if the Council decides that City funds should not be utilized, the City could decline the grant award.

Ald. Wilson asked regarding the application deadline and when the grant would be awarded.

Atty. Kesner answered that the grant award would probably be offered by June of this year.

Ald. Wilson supported the item, but expressed concern regarding the lack of plan for the bike share system in Wauwatosa. He asked City Staff to work with the Bike Share organization to present an item to the Traffic and Safety Committee, including locations of the stations and how the system will benefit Wauwatosa.

Atty. Kesner said he would relay the request.

Moved by Ald. Tilleson, seconded by Ald. Donegan
to authorize Development Staff to submit the second round WisDOT
Transportation Alternatives Program application for bike share
funding in the amount of \$500,000 with a \$100,000 match - Ayes: 6

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS] Next: 3/18/2014 7:30 PM
TO:	Common Council
MOVER:	Joel Tilleson, Alderman
SECONDER:	Peter Donegan, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Tilleson, Birschel
EXCUSED:	Organ, Ewerdt

2. Memo from the Development Department requesting approval of a consultant contract with Symbiont for implementation of an EPA Brownfield Assessment Grant

The Committee reviewed a memo from the Development Department requesting approval of a consultant contract with Symbiont for implementation of an EPA Brownfield Assessment Grant.

Atty. Kesner explained that a Request for Proposal was issued for grant implementation services and Symbiont was chosen by Staff as the most qualified consultant to assist with grant implementation. Symbiont has previously worked with the City and City Staff recommends approval of this new contract.

Moved by Ald. Hanson, seconded by Ald. Birschel
to recommend approval of a 3-year contract with Symbiont for
implementation of an EPA Brownfield Assessment Grant - Ayes: 6

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS] Next: 3/18/2014 7:30 PM
TO:	Common Council
MOVER:	Tim Hanson, Alderman
SECONDER:	Donald Birschel, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Tilleson, Birschel
EXCUSED:	Organ, Ewerdt

3. Request by the Fire Chief for approval of an agreement with municipal governments in Milwaukee County regarding mutual aid

The Committee reviewed a request by the Fire Chief for approval of an agreement with municipal governments in Milwaukee County regarding mutual aid.

Fire Chief Ugaste explained that the Wauwatosa Fire Department communicated with the City of Milwaukee regarding a mutual assistance agreement, an agreement where municipalities provide reciprocal assistance for fires near the municipal borders when additional assistance is needed. Thanks to the help of Assistant Fire Chiefs Case and Erke almost all municipalities in Milwaukee County are ready to sign this mutual aid agreement. The agreement will allow municipalities to request and provide mutual aid prior to the Mutual Aid Box Alarm System (MABAS), which promotes multi-jurisdictional response when an incident requires resources that exceed the resources available to the individual municipality.

Ald. Tilleson applauded the Fire Department for being leaders in the efforts within Milwaukee County for mutual aid.

Ald. Donegan agreed with Ald. Tilleson and asked the Fire Department to consider how efficiencies could be created by this mutual aid agreement.

Fire Chief Ugaste remarked that some supplies cannot be removed from the costs of the Wauwatosa Fire Department, but there are certainly possible cost savings in the future due to this agreement, including shared radio waves.

Responding to Ald. Donegan's question, Assistant Fire Chief Case explained that the Emergency Medical System was already a County wide system. The current mutual aid agreement will bring the Fire fighting side of operations to the same level of mutual aid.

Ald. Dubinski thanked the Fire Chief and his staff for their efforts.

Ald. Wilson echoed the positive comments of the Committee.

Moved by Ald. Tilleson, seconded by Ald. Birschel
to recommend approval of an agreement with municipal
governments in Milwaukee County for mutual assistance - Ayes: 6

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS] Next: 3/18/2014 7:30 PM
TO:	Common Council
MOVER:	Joel Tilleson, Alderman
SECONDER:	Donald Birschel, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Tilleson, Birschel
EXCUSED:	Organ, Ewerdt

4. Memo from the Finance Director presenting an initial overview of 2015 budgetary issues

Mr. Ruggini presented an initial overview of 2015 budgetary issues.

Mr. Ruggini explained that the 2015 budget process could be either exceptionally easy or very difficult depending on factors that will not be clear until later in the year.

The 2015 budget gap is unknown at this time, but it was forecasted in 2013 to be approximately \$1,100,000. This is a decrease from the 2014 budget gap of \$1,400,000, but still represents nearly 3% of the city's property tax levy.

Overall, 2015 will be the first year since before the recession that the City will not have significant revenue reductions that need to be addressed in the budget with several exceptions.

- \$242,849 of Appropriated Surplus Applied was budgeted in the 2014 budget. Staff would like to continue to phase out this practice. Any reduction in the Appropriated Surplus Applied would impact the gap.
- It appears likely the Days Inn will cease to operate as a hotel. This will result in a loss of Hotel/Motel revenue; however, this will be offset by the construction of the new hotel located at Innovation Campus
- Cable Franchise fees ended 2013 approximately \$50,000 below the 2014 Budget, so it is likely the 2015 budget will need to be reduced.
- Court Penalties ended 2013 approximately \$120,000 below the 2014 Budget, so it is likely the 2015 budget will need to be reduced.
- It is possible that increases in licenses and fee revenue could offset some of the revenue reductions described above.
- As this is the second year in the State's biennium budget, no significant change in state revenues is expected.

Overall, with the exception of Appropriated Surplus Applied, revenues will not worsen the budget gap. However, significant growth is also not expected, so Mr. Ruggini characterized revenues as being neutral towards the gap.

For expenditures, the City will watch the changes of the Wisconsin Retirement System (WRS), health claims, and employee salaries.

In WRS, the City pays 7.00% for general employees, 7.75% for elected officials, 10.56% for police and 14.16% for Fire (who are ineligible for social security). A regression analysis of the total rate for general employees and the effective interest earnings rate for WRS estimated the 2015 rate to be 10.54%. This would be a 3.46 percentage point decrease that would be shared between employees and the City. With a total pension eligible payroll of \$29.6 million, a 1.7% percentage point decrease in the employer contribution would result in a \$511,734 savings. However, this is a very rudimentary analysis compared to the actuarial analysis used by WRS to calculate the actual rate and should be considered a rough estimate.

Health claims were budgeted in 2013 at \$7.4 million, but ended the year at \$7.2 million. This will likely have a positive impact on the 2015 budget as the health care inflation trend will be applied to a smaller base resulting in a smaller claims budget. However, an initial estimate will not be available until late May.

Salaries are assumed to increase with a cost of living adjustment of 2-3%. However, the City remains in contract negotiations with Police and Fire unions, so the exact terms for 2014 and 2015 remain unknown.

In terms of property values and levy limits, levy limits largely restrict the City to increasing property taxes based on net new construction. The budget gap assumes \$25 million, or approximately 0.5% of net new construction.

In addition, the City is pursuing closing TIF 3. When a TIF is closed, up to half of its value as a percentage of the total property tax base can be used to increase the property tax levy. As of 1/1/13, TIF 3 had an incremental value of \$76,566,700. If the value were to remain the same on 1/1/14, then the City would be able to increase the tax levy by .78% which equals approximately \$300,000. A final number will not be available until August.

In order to increase the levy above net new construction percentage, the City would either have to conduct a referendum or utilize unused debt adjustments. The City has available to it \$3.4 million in unused debt adjustments.

Given the current situation, Mr. Ruggini recommended that the City begin high-level discussions on budgetary options in the event the factors discussed above do not resolve favorably. The recommended next step is to finalize the five-year forecast and develop several scenarios that provide a budgetary gap range.

In addition, high-level strategies should be presented as options for the closing that gap range. However, it is important to communicate to staff and the public that these strategies are contingency plans that may or may not be needed in 2015.

Ald. Donegan thanked Mr. Ruggini for his thorough information and analysis. He remarked that this analysis says the same thing as other documents that imply that difficult decisions may be needed in the future. He opined that it is almost too late for this Council to make value decisions about what the City will budget for in 2015. By not discussing these value issues sooner, the Council has given Staff the control of the budget and the issues should be discussed openly and honestly with employees and residents. He opined that the City Administrator and Mayor should lead the Council to these discussions, and if they do not, they are restricting control of these decisions to themselves. He asked the Committee and the City leadership to do their jobs.

Ald. Birschel thanked Ald. Donegan, Ewerdt and Organ for their efforts on the Committee, and Ald. Donegan specifically for his investigative work on the Budget Committee.

Ald. Wilson agreed that the Committee should address these budgetary issues, but disagreed with Ald. Donegan's opinion that the City leadership and Mayor are responsible to bring the issue to the Council's feet. He opined that the Council should be proactive and take the initiative to address these issues. He noted that it is important to avoid the sky-is-falling mentality, but it will be necessary to review options that include extreme measures.

Ald. Donegan added that if a referendum is considered to increase the tax levy, the Council would need to make that decision and then pursue a referendum, so this process would not be an option for the 2015 budget.

Mr. Kesner explained that the referendum for increasing tax levy must be considered in an April election. If the Budget Committee decided to pursue this in the fall of 2014, the referendum would be considered in April of 2015 and would not be effective until the 2016 budget process. Therefore, referendum to increase the tax levy is not an option for the 2015 budget.

5. Resolution creating a Council member reimbursement of telecommunication expense for City business in an amount up to \$40 per month

The resolution creating a monthly \$40 phone stipend for Common Council members upon election was referred back to the Budget and Finance Committee by the Common Council at their March 4, 2014 meeting.

The Committee continued discussion regarding the proposed telephone stipend for Council members and reviewed a memo from the Finance Director regarding iPad upgrades.

Mr. Ruggini explained that the current iPads are not cellular enabled and require Wifi for internet access. New iPads would need to be purchased in order to allow for internet access when Wifi is not available. A new cellular and wifi enabled iPad purchased off the state contract would cost \$499. A data plan would also need to be purchased for each iPad. Costs vary among providers however, assuming on average that each iPad would require a 1 gigabyte data plan, the cost would be \$20 per month per iPad, or \$480 per year, in addition to the purchase price.

Mr. Ruggini explained that the telephone stipend has varying levels

Responding to Ald. Wilson's questions, Atty. Kesner explained that the stipend amount would be included on the W2, but it is not taxable income. He recommended that the stipend should be considered income and should become effective after the next election of each aldermanic seat to comply with state statute.

Ald. Hanson remarked that cellular enabled iPads would greatly help the aldermen perform their duties. He commented that advanced technology should be considered in the future, as it improves the service provided to citizens, but remarked that it does not have to be included at this time.

Atty. Kesner and Mr. Ruggini agreed that the costs of complete replacement with cellular enabled iPads are significant and were not included in the budget.

Mr. Archambo remarked that creating a cycle of replacement would make the budgeting for cellular enabled iPad purchases easier and opined that the City should invest in technology that benefits constituents.

Mr. Kesner remarked that this program was started as an internal granting project and was a pilot to test if this technology would work for the elected officials.

Ald. Donegan opined that if an alderman can document additional costs incurred to perform the normal duties of the job, they should be provided a reimbursement for those additional costs. He questioned whether this type of reimbursement would be considered income.

Atty. Kesner stated that it depends on the IRS interpretation of compensation and income. Reimbursing for the cost of wireless internet in the home would probably not be considered income, but the cost of a cellular device data plan would be considered income.

Ald. Wilson remarked that he agrees with the telephone stipend concept and Ald. Donegan's request to require documentation for reimbursement, but the expansion to replace all iPads is far broader than the Committee intended. As Atty. Kesner pointed out, the iPad program was a pilot and the City has yet to make a firm policy on how the program will continue in the future.

Atty. Kesner remarked that the Committee could set the stipend to become effective in April 2016, to allow application to all aldermanic seats at once, due to the statute requirement that income increases can not be effective until their next election.

Ald. Dubinski remarked that a replacement plan is necessary for advancing technology. He opined that replacing the iPads with cellular enabled models in the future, as they are replaced, is a good idea, but the City should not increase costs now by creating the monthly stipend.

Ald. Birschel agreed with Ald. Dubinski's comments.

Responding to Ald. Donegan's question, Atty. Kesner confirmed that the costs would be much higher to maintain cellular enabled iPads due to the data plan required.

Mr. Ruggini agreed that the costs for cellular enabled iPads are high and unbudgeted.

Moved by Ald. Hanson, seconded by Ald. Wilson
to recommend approval of a Council member reimbursement of
telecommunication expenses in an amount up to \$40 per month effective
after the next election of each aldermanic seat, reimbursement requires
proof of actual expense - Ayes: 4 Noes: 2 (Birschel, Dubinski)

BE IT RESOLVED, by the Common Council of the City of Wauwatosa, **THAT**, effective following the next re-election of each aldermanic seat, Common Council members are hereby authorized to participate in the receipt of a telephone reimbursement for council members at level three, or \$40.00 per month, consistent with the existing administrative policy in place for non-elected City employees, and with proof of actual expense.

RESULT:	RECOMMENDED FOR APPROVAL [4 TO 2]	Next: 3/18/2014 7:30 PM
TO:	Common Council	
MOVER:	Tim Hanson, Alderman	
SECONDER:	Craig Wilson, Alderman	
AYES:	Donegan, Wilson, Hanson, Tilleson	
NAYS:	Dubinski, Birschel	
EXCUSED:	Organ, Ewerdt	

6. Vouchers

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

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

The meeting adjourned at 9:40 p.m.

Carla A. Ledesma, CMC, City Clerk