



CITY OF WAWATOSA
BUDGET AND FINANCE COMMITTEE
MINUTES • APRIL 29, 2014

Regular Meeting
Committee Room #2
7:00 PM

7725 West North Avenue, Wauwatosa, WI 53213

PRESENT: Alds. Roznowski, Tilleson, Walz-Chojnacki, Kofroth, Dubinski, McBride, Moldenhauer, Wilke - 8

ALSO PRESENT: Mr. Archambo, City Administrator; Mr. Ruggini, Finance Director; Atty. Kesner, City Attorney; Ms. Enders, Development Director; Police Chief Weber; Ms. Hilt, Senior Mgmt. Analyst; Ms. Aldana, HR Director; Ms. Ferguson, Planner

Ald. Roznowski as Chair called the meeting to order at 7:00 p.m.

Introduction of Committee Members

Ald. Roznowski as Chair welcomed and introduced the Committee members. He noted that the Standing Committee structure was changed by Council at the Committee of the Whole meeting on April 22, 2014. Until further notice, the Budget and Finance Committee will cover all items formerly included on Employee Relations and Legislation, Licensing and Communications agendas.

BUDGET AND FINANCE COMMITTEE ITEMS

1. Orientation by City Attorney on committee's licensing duties and responsibilities

Atty. Kesner gave a presentation regarding the Committee's licensing duties and responsibilities.

The Budget and Finance Committee will cover all items formerly included on Legislation, Licensing and Communications Committee (LLC) agendas. These responsibilities include review of operator license applications, which are brought to Committee when the background check or application requires further review. The responsibilities related to legislation and communications are conducted less often, but include review of official City communications and discussion of state level legislation that may impact the City.

The Committee also reviews retail alcohol license applications. There are several different types of retail liquor licenses, including those for restaurants and those for liquor stores. Wauwatosa has chosen to provide economic development grants for applicants that are required to pay the \$10,000 annual license fee for a Reserve Liquor License. Retail license holders also appear before the Committee to request extension of premises.

Licensing is a quasi-judicial proceeding. The applicant must be given an opportunity to be heard. At this point, the Common Council has given the Budget and Finance Committee the responsibility to approve or deny operator license applications that are brought to the Committee level. Applicants may appeal to the full Common Council if their application is denied by the Committee.

Licenses are a privilege, not a right. The reasons for any denial must be substantially related to the job duties of the position. Items farther in the past should be given less weight when considering the application. If the Committee chooses to deny, the specific reason must be cited in the motion.

License revocations are also the responsibility of the Budget and Finance Committee. In this type of hearing, the applicant has a right to an attorney and due process. Revocation has a higher requirement of proof and the Committee has less discretion in making that decision.

Atty. Kesner informed the Committee that he, or one of the Asst. City Attorneys, are present at every Budget and Finance meeting to provide information as specific questions arise.

2. Operator License application by Luke J. Demanovich, 8003 W. Becher Street, #2, West Allis, for the period ending June 30, 2014

The Committee reviewed an Operator License application by Luke J. Demanovich, 8003 W. Becher Street, #2, West Allis, for the period ending June 30, 2014.

The applicant was not present.

Moved by Ald. Tilleson, seconded by Ald. Walz-Chojnacki to hold the item and request the applicant's appearance at the next scheduled Committee meeting - Ayes: 8

RESULT:	HELD	Next: 5/13/2014 7:00 PM
TO:	Budget and Finance Committee	

3. Operator License application by Timothy V. Wolf, 2901 E. Cudahy Avenue, St. Francis, for the period ending June 30, 2014

The Committee reviewed an Operator License application by Timothy V. Wolf, 2901 E. Cudahy Avenue, St. Francis, for the period ending June 30, 2014.

Atty. Kesner explained that the Cheesecake Factory requires all of their servers to have an Operator's License.

Chief Weber noted that the applicant failed to include all infractions on his application.

Mr. Wolf, 2901 E. Cudahy Avenue, explained that he applied for the Operator's License when he began serving at the Cheesecake Factory. He noted he must have forgot to include the infraction, but did not intentionally exclude it.

Ald. Dubinski commented that the applicant should be awarded the license based on the requirements of his employer and the low level of the infraction.

Ald. McBride remarked that the application should have been completed fully and urged the applicant to be forthright on future applications.

Moved by Ald. Dubinski, seconded by Ald. Tilleson to award an Operator License to Timothy V. Wolf, 2901 E. Cudahy Avenue, St. Francis, for the period ending June 30, 2014 Ayes: 7 Noes: 1 (Ald. Wilke)

Ald. Dubinski informed the Committee that he contacted the Managers of Dave and Busters and the Cheesecake Factory to urge their employees to complete applications truthfully. Employees at these two establishments are often called to appear before Committee due to incomplete applications, even though their infractions do not warrant a denial.

RESULT:	APPROVED [7 TO 1]
MOVER:	John Dubinski, Alderman
SECONDER:	Joel Tilleson, Alderman
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Kofroth
NAYS:	Wilke

4. Final review and approval of 2014 Community Development Block Grant Program funding levels

Ms. Ferguson presented the 2014 Community Development Block Grant funding level recommendations for final review and approval by the Committee.

The City of Wauwatosa was allocated \$905,705. The amount is essentially the same the City received in 2013 and \$5,705 more than the estimated amount (\$900,000) preliminary program allocations were based on this past Fall. Consequently, 2014 funding levels need to be adjusted to account for these additional funds.

An additional \$855 can be added to the Public Services category as a result of the increase. Staff recommended dividing the amount equally by six of the seven organizations to increase the final funding amounts by \$142. Staff also recommended that the remaining \$4,580 dollars of the City's allocation increase be added to the CDA's balance.

Ald. Wilke commented that the Administration/Planning allotment should be maximized to ensure that the City utilizes all funding available for internal projects.

Ald. Tilleson inquired regarding the level of the CDA budget and whether additional funds are available for the CDA.

Ms. Ferguson explained there are unallocated funds available up to \$150,000.

Ald. Tilleson and Ald. McBride agreed that the issue of CDA funding should come back to the Committee for a more in-depth review.

Responding to Ald. McBride's question, Atty. Kesner remarked that there has been no concern regarding the YMCA's ability to provide quality services for our Senior Center.

Moved by Ald. Wilke, seconded by Ald. Moldenhauer to recommend approval of the final CDBG funding levels with one alteration to the Staff recommendation, to reduce the CDA allotment to \$3,580 and increase the Administration/Planning allotment by \$1,000 to maximize the funding allowed in that category - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 5/6/2014 7:30 PM
TO:	Common Council	
MOVER:	Jason Wilke, Alderman	
SECONDER:	James Moldenhauer, Alderman	
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Wilke, Kofroth	

5. Memo from the Development Director concerning a proposal to change the amount of economic development grant money returned to Reserve "Class B" Liquor license applicants

The Committee reviewed a memo from the Development Director concerning a proposal to change the amount of economic development grant money returned to Reserve "Class B" Liquor license applicants.

This item was held from the Legislation, Licensing and Communications Committee meeting on March 11, 2014.

Ms. Enders explained that Class B Reserve Liquor licenses require a \$10,000 fee and the City provides the option of an economic development grant of \$9,500 to offset this cost. There was some discussion of changing this grant during the last budget process. The 2014 budget includes a cost savings of \$5,000 from this change.

Staff recommends one of the following:

1. Provide a grant up to \$9,500 for full-service restaurants (establishments in which the sale of alcohol beverages accounts for less than 50% of gross receipts) that are issued a Reserve "Class B" liquor license.
2. Modify the existing grant program to rebate back an amount less than the current grant amount of \$9,500 (e.g., \$5,000) and consider all or some of the following criteria: job creation, property tax base increase, benefits to tourism, enhancements to the economic and cultural climate, etc.

Ald. Walz-Chojnacki remarked that LLC had previously discussed how to limit these grants to businesses that really need it, rather than large companies that can afford the annual fee.

Atty. Kesner explained that the criteria provided by Ms. Enders in option 2 would allow the Committee to reach this conclusion. The Committee may choose to define businesses as "formula restaurants" if they have more than 10 locations.

Ald. McBride remarked that the economic development grant should spur economic development. However, these criteria seem to make the process easier for larger companies because they can more easily bring in jobs and benefits to tourism. If retaining uniqueness and encouraging small business are the goals, these criteria do not necessarily accomplish those goals.

Responding to Ald. Tilleson, Atty. Kesner explained that he did not find any evidence of economic development grants awarded based on square foot of the establishment.

Ald. Tilleson suggested that 5,000 square feet may be used as a standard. He remarked that he agrees with Ald. McBride that the criteria listed in option 2 may be a double-edged sword. He opined that square footage is something that can't be questioned and provides a clear cut criteria to award grants.

Atty. Kesner noted that the City may choose to implement a grant-amount scale based on square footage.

Ald. Wilke asked how much revenue could be maximized if the City kept the entire license fee for internal projects. He opined that these revenue savings should be used for bike and pedestrian facilities.

Ald. Tilleson remarked that he fully supports Ald. Wilke's idea of retaining the revenue, but suggested the savings could be used for additional costs beyond bike and pedestrian facilities, such as CDA facade grants.

Ald. Walz-Chojnacki agreed that the criteria listed will not accomplish the goal of supporting small businesses in Wauwatosa.

Ald. Dubinski noted that unique, smaller businesses have developed and grown in Wauwatosa with the assistance of this grant. The Committee should not lose track of the uniqueness of Wauwatosa businesses and the support this type of grant provides.

Ald. McBride remarked that these two ideas could work in tandem, there could be a sliding scale based on square footage and the fee savings could be utilized for other projects as Ald. Wilke described.

Moved by Ald. McBride, seconded by Ald. Tilleson
to direct the Development Director to compile an Analysis of Reserve Licenses
over the last 10 years, including square footage, business name, and average revenue per year,
and to direct the City Attorney's office to work on an alternative program to keep all
revenue from Reserve Class B Liquor licenses for Bike-Ped facilities within 30 days - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]
MOVER:	Dennis McBride, Alderman
SECONDER:	Joel Tilleson, Alderman
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Wilke, Kofroth

6. Memo from the Water Superintendent recommending a State/Municipal Agreement with the Wisconsin Department of Transportation as related to hard costs for the Zoo Freeway Project and the Wisconsin Avenue Bridge Reconstruction

The Committee reviewed a memo from the Water Superintendent recommending two State/Municipal Agreements with the Wisconsin Department of Transportation (DOT) as related to the hard and soft costs of the Zoo Freeway Project and the Wisconsin Avenue Bridge Reconstruction.

Mr. Wojcehowicz explained that the DOT to reconstruct the Zoo Freeway and the Wisconsin Avenue Bridge. As a result of these projects, the Water Utility must replace the water main that goes below the freeway. There are two agreements related to the costs of this project and both include a 90/10 cost share with the DOT. The DOT covers 90% of the costs and the municipality covers 10%.

In the State-Municipal Agreement for hard costs, the engineering estimate for Phase One of the Wisconsin Avenue is \$854,280.00 with the DOT picking up 90% of the expenses related to the water main relocation. The temporary booster station estimate expense is around \$90,000.00 with the DOT picking up 90% of the expense. The Wauwatosa Water Utility's 10% share is estimated to be \$94,428.00 and will be submitted as part of the water utility's 2015 capital budget proposal.

In the State-Municipal Agreement for soft costs, the DOT will be responsible for 90% of the soft cost expenses (\$118,170.00) related to the water main relocation project. The Wauwatosa Water Utility's 10% share is estimated to be \$13,130 and will be submitted as part of the water utility's 2015 budget proposal.

Ald. Kofroth asked if the 90/10 split is normal.

Mr. Wojcehowicz explained that the 90/10 split often occurs, but it depends on the project and how it impacts the municipality. The temporary booster station in this project is his biggest concern. Responding to Ald. Dubinski, he confirmed that the City is benefiting from the 90/10 split and replacing 1960s water main, but the Utility would not have replaced this main without the project.

Ald. McBride remarked that the project results in an improvement for the City, but the City does not have a great deal of choice in the process.

Move by Ald. McBride, seconded by Ald. Moldenhauer
to recommend approval of both State/Municipal Agreements
with the Wisconsin DOT as presented by Mr. Wojcehowicz - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 5/6/2014 7:30 PM
TO:	Common Council	
MOVER:	Dennis McBride, Alderman	
SECONDER:	James Moldenhauer, Alderman	
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Wilke, Kofroth	

7. Memo from the Water Superintendent recommending a State/Municipal Agreement with the Wisconsin Department of Transportation as related to soft costs for the Zoo Freeway Project and the Wisconsin Avenue Bridge Reconstruction

This item was discussed and voted on concurrently with Item #6 on the agenda.

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 5/6/2014 7:30 PM
TO:	Common Council	
MOVER:	Dennis McBride, Alderman	
SECONDER:	James Moldenhauer, Alderman	
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Wilke, Kofroth	

8. Memo from the Director of Public Works requesting approval of a service contract with Blue Flame Firewood for a pilot program to process the City's wood generated from tree removal activities

The Committee reviewed a memo from the Director of Public Works requesting approval of a service contract with Blue Flame Firewood for a pilot program to process the City's wood generated from tree removal activities.

Ms. Hilt explained that Purple Cow Organics has processed the City's compost for over 6 years for \$9.31/ton. Last year, Purple Cow Organics increased their per ton cost and informed the City the cost per ton would be increased to \$25 in 2015. This would increase the City's annual cost for this service approximately \$20,000.

The City put together a prime team to review the composting options for the City. Purple Cow Organics was the only bidder for West Allis' recent RFP. Purple Cow offers services for all composting needs, but not many other companies offer such services.

After reviewing several possibilities for the disposal of wood generated from tree removal activities, which is only one aspect of the City's composting, City Staff recommend entering into a service contract with Blue Flame Firewood.

Mr. Jason Brown, 2424 N. 63rd Street, Blue Flame Firewood, was present. He explained that his company takes local wood and sells it as firewood.

Ms. Hilt explained that Blue Flame Firewood has offered to process the City's wood in exchange for use of 1-2 acres on the DPW yard. The pilot service agreement would be a 1-year program with three 1-year extensions. The Wauwatosa wood would be processed into firewood and, if successful, other municipalities could be brought in to possible create a revenue stream in the future.

Mr. Ruggini explained that the City has little recourse negotiating with Purple Cow Organics because the contract has come to an end. Responding to Ald. Roznowski's question, Mr. Ruggini explained that Purple Cow Organics

Atty. Kesner noted that one of the major decisions at hand is the lease of land at the Public Works yard.

Ms. Hilt noted that this program could help in the future if Emerald Ash Borer causes increased tree removal activity.

Ald. Wilke expressed support of the pilot program and asked regarding the area of the public works yard to be used by Blue Flame Firewood.

Ms. Hilt noted that the area is a small portion of the yard and the noise created by Blue Flame machinery will be equivalent to a lawn mower.

Ald. McBride agreed that this pilot program is a great idea.

Moved by Ald. McBride, seconded by Ald. Tilleson to recommend approval of the 1-year service contract with Blue Flame Firewood for the pilot program as recommended by Staff - Ayes: 7

Ald. Dubinski asked if the City had considered processing and selling their own firewood.

Ald. Wilke left the room at 9:08 p.m.

Atty. Kesner noted that the City may be able to process wood internally, but they lack the experience and expertise to market and sell the product.

Ald. Kofroth remarked that this pilot program is a great, innovative plan and approved of the City's partnership with a Wauwatosa business.

Ald. Roznowski commended City Staff and Ms. Hilt for their work on this project.

RESULT:	RECOMMENDED FOR APPROVAL [7 TO 0]	Next: 5/6/2014 7:30 PM
TO:	Common Council	
MOVER:	Dennis McBride, Alderman	
SECONDER:	Joel Tilleson, Alderman	
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Kofroth	
AWAY:	Wilke	

9. Memo from the Director of Public Works requesting use of Reserve for Contingency funds for salt purchase in 2014

The Committee reviewed a memo from the Director of Public Works requesting use of Reserve for Contingency funds for salt purchase in 2014.

Ms. Hilt explained that the DPW is requesting a \$25,000 fund transfer from the Reserve for Contingency for salt purchase in 2014. This is in addition to the \$75,000 transferred from seal coating account and a \$35,000 transfer from the Reserve for Contingency earlier in the year.

Mr. Ruggini explained that the Reserve for Contingency must be used judiciously. It is a savings account that is earmarked for cases when the City requires unexpected funds. He noted that this case is a warranted use of the Reserve.

Ald. Moldenhauer asked Staff to explain the discrepancy of salt costs in the memo provided and remarked that the City may consider adding more space to store salt in order to capitalize on the lowest price possible.

Mr. Ruggini stated he would have Mr. Porter explain the discrepancy and report back to the Committee. The memo states an anticipated 8% increase based on previous year increases. The City purchases salt through a DOT statewide bid to ensure they pay the lowest price possible for salt.

Ms. Hilt noted that the pilot program for brine use greatly reduced the salt needed in the pilot area and the DPW hopes to expand this area with internal granting, thereby reducing the salt need further.

Mr. Ruggini remarked that the brine pilot program was instrumental in the City's survival of the harsh winter and commended Waukesha County for their assistance and support.

Ald. Wilke returned at 9:21 p.m.

Ald. McBride remarked that the increased demand for salt caused by the last harsh winter will undoubtedly impact future prices. The City should always look for the most favorable price, but must be aware of this possibility. He thanked DPW for implementing the brine pilot program, for both the resulting cost savings and the reduction of environmental impact.

Moved by Ald. Moldenhauer, seconded by Ald. McBride
to recommend approval of the \$25,000 fund transfer from
the Reserve for Contingency for salt purchase - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 5/6/2014 7:30 PM
TO:	Common Council	
MOVER:	James Moldenhauer, Alderman	
SECONDER:	Dennis McBride, Alderman	
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Wilke, Kofroth	

10. *Memo from the Finance Director recommending the closure of TID 3 (State Street)

The Committee reviewed a memo from the Finance Director recommending the closure of TID 3 (State Street).

Mr. Ruggini described the area covered by TID 3 (State Street) and explained that the developments within this TID have created an increment of approximately \$76 million. City Staff developed the idea to create a new TID to capitalize on the success of TID 3 and expand to additional areas in need of development. This plan allows for the release of the incremental value that was created within TID 3 and keeps developable areas within TID 8. By releasing the \$76 million of incremental value, approximately \$2 million in additional property tax will be collected by the six taxing jurisdictions.

For the City, the benefits also include an increase to the tax levy. This tax levy increase will actually cause a decrease in the tax rate.

In addition to closure of TID 3, Mr. Ruggini asked the Committee to authorize staff to negotiate pre-pay discount agreements with two developers. The City has outstanding municipal obligations to the Enclave and the Annex developments equaling approximately \$1.5 million. TID 3 will have approximately \$3.7 million in fund balance at closure. Given interest rates, the City is prohibited by state statutes from using these funds for anything but fixed investments. Developers can earn more on their cash than the City, so the City asked these developers if they would accept a pre-pay discount agreement. This type of agreement would allow the City to pre-pay its municipal obligation at a discount. The savings from this discount would go back into TID 8.

Mr. Ruggini recommended that TID 3 be closed and that City Staff be given authority to continue negotiations for pre-pay discount agreements with the Enclave and Annex.

Ald. Tilleson remarked that the City has used TIDs wisely and the efforts of the Staff should be commended.

Ald. Roznowski agreed with Ald. Tilleson's remarks and noted that past Councils have created a strong foundation of TID success.

Ald McBride opined that the City does not create TIDs lightly and the City reviews each TID plan closely. The only way that the City of Wauwatosa can continue to provide the services that citizens have come expect is to find ways to build up their tax base in a prudent way. If the City does not build the tax base, there will be no alternatives to fund the excellent services provided by the City.

Moved by Ald. Tilleson, seconded by Ald. McBride
to recommend approval of TID 3 closure and authorize Staff
to negotiate pre-pay discount agreements with the Enclave
and Annex developments - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS]	Next: 5/6/2014 7:30 PM
TO:	Common Council	
MOVER:	Joel Tilleson, Alderman	
SECONDER:	Dennis McBride, Alderman	
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Wilke, Kofroth	

11. Memo from the Finance Director presenting the 2015-2019 Five Year Fiscal Forecast

The Committee reviewed a memo from the Finance Director presenting the 2015-2019 Five Year Fiscal Forecast.

Mr. Ruggini explained that the five year forecast is created using a robust model that allows the City to drill down to the department level. Finance Staff takes revenues and expenditures that act the same way, and bundles them together for analysis. This analysis considers historical averages, consumer price index, outside forecasts, and known future events. While compiling this forecast, Staff remains policy neutral. It is assumed that the City's basket of services will be maintained and this cost-to-continue analysis provides the cost, or cost gap, that will occur in the next year.

Mr. Ruggini reviewed the key assumptions of the model as outlined in the packet memo. These included limited property tax levy increases, flat state and federal revenue, historical trend of local revenues, elimination of the general fund surplus applied in 2015, annual cost of living increases, healthcare trend of 9% annually, pension contribution decrease, and debt service based on 10-year capital spending in the 2014-2018 capital plan.

The City has taken on a very ambitious capital program as well as systematically eliminating the fund balance. Over the last five years, revenues have been trued up to budget and the City has budgeted for vacancies. Pension contribution decreases are expected this year, but the exact rate for 2015 will not be announced until September.

Mr. Ruggini explained the charts highlighted in his memo. Property taxes make up 70% of the City's revenue. Taxes are the City's largest revenue source and the forecast indicates that this source cannot keep pace with the expenditure trend. However, there is a spike of revenues in 2015, due to the expected closing of TID #2.

In terms of Fund Balance Projection, the City has been good at avoiding one time fixes. It is important for the City to choose a balanced approach. There are three ways to balance the budget, cut costs, increase revenue or

increase tax base.

Looking at the actual budget gap and assuming that the gap in 2015 is resolved by sustainable changes, the gap in 2016 is greatly reduced. To address previous budget gaps, the City has reduced FTEs by 8% in the City workforce over several years and greatly reviewed and curtailed costs. There are very few areas that may create more revenue or cut costs without impacting the City's service levels.

Mr. Ruggini described the drivers of the budget gap. Wages and benefits greatly impact the City's financial status. Benefits have greatly decreased since 2011, so compensation has maintained. The City monitors the benefits plan to ensure that they remain competitive. Debt is another driver of the gap. By state statute, the City's outstanding debt can not exceed 5.0% of equalized value. Even in 2020, the City will be well below that limit with debt equaling 2.05% of value and most of the growth occurring due to sewer projects. However, the City maintains a stricter requirement for levy-supported debt which by policy is not to exceed 10% of the national median of Aaa communities for debt as a percentage of equalized property value.

With the assumptions discussed, expenses would go up in total approximately \$2.1 million and revenues would equal approximately \$1 million, so there is a budget gap of approximately \$1.1 million in 2015.

Mr. Ruggini noted that the City strives to cover 2/3 of any budget gap centrally and 1/3 of the gap at the department level. In the future, he will bring forward sensitivity analyses to address possible scenarios, including service reduction.

Mr. Archambo explained that Staff looks at cost centers that are fluctuating the most during this process.

Mr. Ruggini noted that this forecast is not intended to predict exact amounts, but to identify a trend and recognize the challenges ahead.

Mr. Archambo noted that City staff are sometimes questioned for claiming budget gaps and then always resolving the budget.

Ald. Moldenhauer thanked Mr. Ruggini for his presentation and detail. With regard to the Carlson Dettman compensation plan, he asked what impact a complete performance pay system, similar to the private sector, would have on the City's budget.

Ms. Aldana clarified how the compensation plan was created and how comparables were chosen from the public and private sectors for different employee levels.

Ald. Moldenhauer opined that paying the market rate for all employees would possibly benefit the City.

Ald. Moldenhauer asked how the Aaa bond rating benefits Wauwatosa and asked what would occur if the City fell out of the Aaa rating and what would be the ramifications or additional costs if that occurred. He questioned whether the City should take advantage of the Aaa bond rating and pursue the historically low interest rates currently available.

Mr. Ruggini explained that the direct financial cost is limited, 20-30 basis points. This equates to a 2.2% vs 2.4% rate, but this difference is significant when considering the amount of money borrowed. He opined that maintaining the Aaa bond rating should not drive the City's infrastructure decisions. Mr. Ruggini's informal goal is to keep the financial impact on the property tax payer to 1% per year. The City is allowed to pass debt service costs on to property tax owners, but by doing so, it would put increased pressure on the City's operating budget.

Mr. Ruggini noted that the City must spend debt service funds within 24 months due to arbitrage requirements.

Mr. Archambo remarked that revenue bonds could be used in lieu of general obligation bonds.

Ald. Wilke agreed with Ald. Moldenhauer's remarks regarding using the Aaa bond rating to the City's

advantage.

Ald. Tilleson remarked that he agrees with former Ald. Donegan's stance on the City's infrastructure issues. He urged the Council to address these major infrastructure projects sooner than later. If leveraging the Aaa bond rating allows this to happen, he would support this movement.

Mr. Archambo suggested that Staff return with an update on the progress of the areas impacted by the flooding.

Ald. McBride remarked that all areas in the City need to be reviewed and a systematic plan to accomplish these projects must be created. He opined that a prudent plan must be established to address the serious needs of Wauwatosa, a city with old infrastructure.

Ald. Roznowski commented that West Allis is creating a fund to assist repair or replacement of laterals. He requested that Staff provide an update specifically focusing on laterals in the future.

Ald. Wilke inquired how the budget process will proceed and suggested that the entire council be involved and engaged in the process.

Ald. Kofroth asked if the pension shift will continue to help going forward.

Mr. Ruggini explained that the pension rate is anticipated to drop through 2018, but these figures are based on stock market and could fluctuate.

Mr. Archambo remarked that there may be things that the City does not control, but the Council may want to comment on, or address at the state or federal level.

Ald. McBride commented that one such issue out of the City's control is the structure of the retirement system. Currently, the state retirement system focuses on gross wage, which causes employees to strive for more overtime to boost their retirement earnings.

Ald. Roznowski noted several topics that warrant review and discussion at a future Budget and Finance Committee meeting including: TID policy, potential service cuts, retiree healthcare, cost of living increases, engineering time and cost allocation, shared services, and the hotel-motel tax associated to Visit Milwaukee.

Ald. Moldenhauer asked if the City would receive the cost of reinsurance tax back for union-covered staff members.

Mr. Ruggini noted the cost is based per employee regardless of union status.

Responding to Ald. Moldenhauer's question, Ms. Aldana explained that the specifics of the "Cadillac Tax" are not yet finalized, so it is difficult to calculate its future impact on the City.

Ald. Moldenhauer remarked that the City is heading towards a Cadillac health plan and remarked that the City should address this issue before the law goes into effect.

Mr. Ruggini explained that, given the budget gap, the City's health plan will not look as it does now by the time the "Cadillac Tax" takes effect.

RESULT:	INFORMATION ONLY
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12. *Update on collective bargaining with police and fire unions

Ms. Aldana provided an overview of collective bargaining in Wisconsin. Wisconsin was the first state to provide collective bargaining to public employees. Wauwatosa had five union-represented groups prior to Act 10 and two remain post-Act 10, Police and Fire.

In bargaining, wages, hours, and conditions of employment are mandatory bargaining items. Management issues and direction of the municipality are permissive bargaining items.

If the two parties fail to settle alone, a mediator is provided by state to assist in negotiations. If mediation does not result in a mutual agreed contract, the next level of bargaining is binding arbitration. In this level of bargaining, the arbitrator must choose one contract or the other, the two cannot be combined or altered. Arbitrators generally require the party that is proposing a big change to offer something in exchange for that significant shift. They are required to follow specific statutory criteria in selecting a final offer and comparables are often used as a major criteria. Some criteria that are notably absent from the statutory criteria are efficiency, business considerations, and ability to pay.

Post Act 10, Wauwatosa has two unions and it is now a prohibited subject to bargain over the design and selection of health care coverage plans, but municipalities may still bargain over premiums.

The City has been bargaining with the Police and Fire unions since last fall. The most recent contracts expired in December of 2013. Both unions have reached the mediation process. The City intends to evaporate permissive items that were previously included in union contracts. Milwaukee County Circuit Court ruled that the Fire Department and City disagreement over permissive items will be addressed by the WERC.

Mr. Archambo remarked that the City needs to have employees that feel properly compensated for their work.

Ms. Aldana noted that the plan decision by the arbitrator greatly impacts the City because they must implement the contract as written, which, depending on the contract terms, could force the City to make difficult changes due to the fiscal reality of the contract.

Moved by Ald. McBride, seconded by Ald. Moldenhauer to convene into closed session per Wisconsin Statutes 19.85 (1)(e), deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, and may reconvene into open session - Ayes: 8

13. Vouchers

Moved by Ald. Tilleson, seconded by Ald. Walz-Chojnacki that each and every voucher be allowed and paid - Ayes: 8

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Joel Tilleson, Alderman
SECONDER:	Gregory Walz-Chojnacki, Alderman
AYES:	Moldenhauer, Roznowski, Dubinski, Walz-Chojnacki, McBride, Tilleson, Wilke, Kofroth

Carla A. Ledesma, CMC, City Clerk