

Minutes  
Finance Committee  
Thursday, January 14, 2010

**Please note: Minutes are unofficial until approved by the Finance Committee at the next regularly scheduled meeting**

Members Present: Mayor Chiovatero, Aldermen Wysocki, Ament and Hopkins  
Others Present: Ralph Chipman, Finance Director and Greg Johnson, Ehlers & Associates  
Member Absent: Citizen Member Jo Kapfhammer

Meeting called to order at 6:07 p.m.

**New Business**

**Approval of November 12, 2009 minutes.**

Motion by Alderman Hopkins to approve the minutes of the November 12, 2009 meeting. Second by Alderman Ament, and approved unanimously.

**01-10 Financial Management Policies**

Alderman Wysocki begins the conversation regarding the update of the Financial Policies, and introduces Greg Johnson of Ehlers. Mr. Johnson relays that they have been asked to review the primary financial policies, and in that review, concentrated the majority of their time with the reserve funds policy, revenue policy, capital improvement policy, debt policy, investment policy and budget process policy. Other policies have been read, and can be vetted at a later date, which Alderman Wysocki requests be done.

Mr. Johnson proceeds to go over the above noted policies, the first being reserve funds, or undesignated fund balance, which calls for a minimum fund balance of 10%. Historically the city has been anywhere near the mid 20's to around 30%, and Ehlers believes the minimum of 10% is probably to low. GFOA suggests the minimum be at about 15%, and believes it would be advantageous to consider increasing it to comply with generally accepted norms, but as noted in the report, in terms of the city's particular position, we need to be cognizant that when going for ratings they look at a lot of financial information, but in terms of fund balance, they are looking at where we have been historically. As a minimum it should be a little higher, but you have achieved your ratings, and the fund balance has far exceeded the general minimum standards.

Alderman Wysocki questions why the minimum was reduced from 15 to 10% in 2006, to which Mayor Chiovatero responds that there was a suggestion made, and the minimum reduced with no particular reason. Question is raised whether or not to make a motion to return the minimum to 15%, and it is decided to go thru the remainder of Mr. Johnson's review prior to any motions. He goes on to say that in terms of the second part of the reserve fund policy, the contingency is fine.

Mr. Johnson proceeds with the revenue policy, and states that they did not see anything in the policy that calls for any kind of change, and have no recommendations.

The next policy is the capital improvement policy, and included are some preferences in the policy in terms of the fact that any items with a useful life of less than 5 years were not part of the CIP, but would be part of the operating budget. Then, some dollar values were referenced, that went back to the early 90's, but after 1995 would go up to not less than \$50,000. Ehlers believes the language should be clarified, but the \$50,000 is an appropriate level.

Also in the policy is a statement regarding funding for roadway maintenance, and he suggests to put that into further context, should be a statement that not only references a dollar amount, but also ties back to the PASER rating, or whatever rating we are using for the streets. Some sort of quantitative way to evaluate it so there is some correlation between the dollars spent and outputs received. Alderman Ament believes that this issue

was addressed in the Comprehensive Plan, and suggests it be reviewed for purposes of inclusion in this policy.

The debt policy is next, and Ehlers believes this policy to be adequate, but recommends additional statements should be included. Bullet numbers 1 and 2 talk about the method which the City sells its debt, and is consistent with what the practice has been historically which is to do what is called a competitive sale, taking bids for the lowest interest rate. Ehlers believes this is the best way to demonstrate to citizens that we got the best deal. The other type of sale would be the negotiated sales, where perhaps the financing would be outside the norm, and they have their place, but would suggest that when used, an advocate be used. The third bullet talks about arbitrage and tax code issues, and that the City will be mindful of, and follow the necessary steps, or seek the appropriate guidance. This is nothing new, but should be reaffirmed in the policy. Alderman Wysocki wonders whether this can be done internally, to which Mr. Chipman responds that the City prepares the paperwork, but relies on Ehlers for their expertise in this area. Mayor Chiovatero also prefers Ehlers continue to do this on our behalf.

Mayor Chiovatero returns to the road maintenance issue, and after general discussion, Alderman Wysocki requests that Mr. Chipman and the Mayor review the policy and address the issue at the next meeting.

Mr. Johnson moves on to the Investment policy; deposits and investments, and states that Ehlers requested Ken Herdman (manager of their subsidiary) provide input and suggestion for this purpose. In terms of the first resolution, Mr. Herdman recommended collateral is requested from all banks. In section 2, Res 23, a reference to PMA Securities, should be relocated to the investment advisors and brokers section which would be more appropriate. Moving on to the policy for public deposits, reference to a particular statute is incorrect, and should be Statute 66.0603. A general referral to purchasing securities and as a comment only, Mr. Johnson relates that some like to restrict it to Wisconsin municipalities. In regard to the MBIA, it is a permitted investment, but the Statute has a broader description referring to open end management investment companies and trusts. MBIA is a form of that general type of investment and the rest of the list refers to things in a general sense. It should be one general reference to that type of investment rather than one specific investment. And finally, talking about collateral, Mr. Herdman recommends it should be reviewed at least quarterly, and evidence, ownership and market value should be supplied to the City.

The final policy reviewed was the general budget process policy and Ehlers did not find anything to disagree with, but an area to emphasize was the budget calendar, and the need to start the process with enough time to work with respective issues. General discussion followed, and Alderman Wysocki requests Mr. Chipman rework the calendar dates for the committee.

Alderman Wysocki asks for input and questions on the discussion, and it is decided that the policies be cleaned up, clarified, and forwarded to committee for any action necessary. He also raises the issue of the structure of the committee, from an old document, and gives notice to the committee that this issue will be presented at the next meeting.

## **02-10 Long Term Financial Management Plan**

Mr. Johnson notes that presented previously, the refunding analysis for some of the existing general obligation debt issues are callable next year, specifically; the 2001 GO Promissory Notes and GO Library Notes. There are two types of refunding; current refunding, which occur within 90 days of the call dates, or advance refunding which occurs earlier than the 90 day window. We have been monitoring, looking at both options, to see which makes more sense. Option 1 looks at advance refunding both of these issues, and the basic savings is about \$306,000, on a present value basis, it comes out to \$257,000. (The basic difference being, there are more fees involved in an advance funding). If you choose current refunding, closer to the 90 day window, and, if interest rates remain at the level they are now, the future value savings would be about \$404,000.

You would be saving a little more money by doing a current refunding if market rates are comparable to where they are going to be in late summer, early fall. That begs the question, what if interest rates change. If we did a current refunding in September and interest rates were 25 basis points higher than current market conditions, future value savings would be about \$298,000, which says if savings were comparable to doing an advance refunding now and not waiting, basis points would need to increase 25 basis points between now and September in order to achieve comparable savings. In a general sense, if market conditions remain comparable to where they are now, you are likely to get a little higher savings by doing a current refunding. If you want locked in savings then you would do the advance refunding.

General discussion, and Mr. Johnson affirms that they will continue to monitor the situation, and will advise appropriately. Alderman Wysocki requests a time line for the refunding, and Mr. Johnson explains that Council must authorize the sale, and one month later, at a regular meeting, the sale would take place. Mayor Chiovatero and Mr. Chipman offer that they favor current refunding.

Discussion of the 5 Year Financial Plan in general with Alderman Wysocki requesting Mr. Johnson's recommendation on the 5 year projection based on the trend he sees going forward. Mr. Johnson states that in regard to new construction, specifically, that one of the main criteria of the levy limit this past year, you could increase your levy by the percentage of new construction or, 2%, whichever was greater. For the last several years, your annual construction increase has been less than what the maximum allowable was, and indicates that trend is likely to continue. In terms of equalized value, a year ago we ran several different scenarios, the most aggressive being 1.5%, then 1%, and 1/2% growth. When looking over a 5 year period, certainly within the next year or two, there is no reason to expect any major growth in equalized value. As far as recovery, perhaps years 3, 4 and 5 may have some modest recovery. Alderman Wysocki requests Mr. Chipman's opinion, and is told that he agrees with Ehlers, and the City Assessor, that we be conservative.

Alderman Wysocki polls the committee for guesstimate projections on new construction for the next 5 years, and it is agreed that 2011 and 2012 will be at .75%, based on Mr. Koller's report. 2013 will be at 1%, and 2014 and 2015 will be at 1.5%. As a committee, we agree that the schedule of new construction revenue will, in all probability, remain flat.

The topic moves on to the revenue side, and Alderman Wysocki would like to get more input from Mayor Chiovatero and Mr. Chipman. Mr. Chipman responds that we have asked our broker at Wells Fargo to keep his eyes open for possible Wisconsin investments that become available. We are looking for different vehicles as the LGIP has been performing terrible. It is his feeling that the investments will be flat for at least the next year. Alderman Wysocki wonders what kind of returns we are currently experiencing, and Mr. Chipman responds that we would be doing well if we could overall hit ¾ to 1%. We do not want to stray too far from what is safe and prudent at this time. Alderman Wysocki requests Mr. Chipman prepare a report for the next meeting on the status of investment possibilities.

The State shared revenues, and changes proposed by the DOR are next to be discussed, followed by building and remodeling revenue. Mayor Chiovatero states that the estimates given in the budget are high conservative. General discussion follows with general consensus that this budget remain around the million dollar range.

Tax revenue, and other taxes as revenues are next to be discussed. The main other tax revenue is tax equivalent, based on water utility value and other tax districts tax rates, and those too are looking flat as well. On other revenues, Mr. Johnson explains that after reviewing the Comprehensive Plan, and, as a quick summary, there are several impact fees you can collect for facilities, the main requirement being that it be tied to development and construction. He also suggests that what has been collected to date can be spread out and evenly applied to debt service going forward.

Lengthy discussion on the economy, the state of future development, and impact fees. Mr. Johnson states that he is currently working on a summary of each of the impact fees,

and will suggest, at a future meeting, the final policy decisions that will need to be made by the Council.

Alderman Wysocki brings the revenue topic to taxes. He states that we have options; among them, freezing taxes and looking at the limit the state allows, and he wonders whether Mr. Johnson has any indication what the legislature is going to do on spending limits. Mr. Johnson replies that he expects them to continue. He believes the number will remain in the 2% area. Alderman Wysocki states that he does not like raising taxes in this economy; his hope being that new construction would keep us afloat, and that the only way out is to narrow the gap between the general taxes and other revenue sources. Contracts, wages, salaries, Wisconsin retirement and insurance issues are covered, and in looking overall at the 2011 budget, the general consensus of the committee is that for planning purposes, the property taxes may need to be increased by 2%. Mr. Johnson asks for clarification, and whether this 2% would be for the total levy, operations and debt, and the committee responds that they would indeed like that projection, but would also like projections calculated without debt service included.

In closing the revenue portion of the meeting, discussion, and the possibility of a budget survey to the general public is suggested. With the hope of including this survey in the March issue of the City newsletter, it is decided to hold the next Finance Committee meeting one week earlier, on February 4<sup>th</sup> at the normal time of 6 p.m.

#### **03-10 Declaration of Official Intent**

Mr. Chipman informs the committee that the declaration of intent was presented to the Council at Tuesday evening's meeting.

#### **04-10 Statement on Auditing Standard No. 114**

Mr. Chipman explains that this information is from the City's auditing firm, and should be forwarded to the Council for informational purposes, with no action required.

#### **05-10 New Bank signatures**

Mr. Chipman tells the committee that we are waiting for the Clerk position to be filled before new signature plates are ordered, and this item will remain on the agenda until that time.

#### **Old Business**

**None**

#### **Adjourn**

Motion by Alderman Hopkins to adjourn at 8:15 p.m. Second by Alderman Ament, and approved unanimously

Respectfully submitted  
Karin Ambrosh  
Office Coordinator, Finance Dept  
c: fincomm/01-28-10/kma