

Minutes
Finance Committee
Thursday, February 04, 2010

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

Members Present: Mayor Chiovero, Aldermen Wysocki, Ament and Hopkins and Citizen Member Kapfhammer

Others Present: Ralph Chipman, Finance Director and Greg Johnson, Ehlers & Associates

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

New Business

06-10 Approval of January 14, 2010 minutes.

Motion by Alderman Ament to approve the minutes of the January 14, 2010 meeting. Second by Alderman Hopkins, and approved unanimously, with Citizen member Kapfhammer voting present.

Old Business

01-10 Financial Management Policies

Alderman Wysocki reintroduces this item with a handout from Mr. Chipman, who informs the committee that upon Council approval, a new Finance Policy book will be created, and distributed to committee members. He goes on to briefly detail the changes being made. Number 14, Cable TV policy to be deleted; Number 2, Reserve Funds being changed to 15%, and current bond rating made Aa1; Number 4, Capital Improvement policy, prior years removed, and the dollar amount set at \$50,000; Number 11, update budgeting for rehabilitation and maintenance, a PAZER rating of 60 and \$300,000 for the operating budget; Number 5, Debt policy, will be changed to reflect recommendations and verbiage per Ehlers review; Number 6, Investment policy updated. Moving on to Resolution 09-24, updated with the proper Statute numbers, and under number 9, updated collateralization; Number 12, Budget Process Policy, changes being made to the timeline.

02-10 Long Term Financial Management Plan

Greg Johnson recaps the discussion of the January meeting and that it centered on the fact that in general we are likely to see continued declines in state shared revenues, modest increases in road aids, investment income likely to remain flat in the near term, revenue from license and permit fees tied more directly to the economy and building activity will also remain flat, and all of that has been incorporated into the methodology of Ehlers revenue projections. In terms of the growth assumptions, the committee discussed growth and value of about .75% in 2011 and 2012, 1% in 2013 and 1.5% in 2014 and 2015. In terms of putting together some initial projections, it is their feeling that 2011, in many ways, will be a repeat of 2010. Many of the difficult challenges faced in 2010 are likely going to resurface in 2011. For discussion purposes, three initial scenarios have been prepared. One of the general targets expressed by committee was to look at a financial scenario resulting in a tax levy increase for 2011 of about 2%, based on the revenue assumptions. In the first scenario, with no changes made to the operating budget, and no additional debt service added, the result would be a levy increase of 2.6%, and a handout is provided to show the numbers in more detail. In this scenario, you would have to increase non levy revenue sources, or cut expenditures by \$140,000.

Alderman Wysocki asks for questions on this section, and discussion centers on surplus, ratings, and the impact of the Reserve fund balance change to 15%.

Mr. Johnson goes on to explain the second scenario, in which the revenue and growth projections remain the same, however, they have accounted for a 3% increase in wages, and the corresponding adjustments in Social Security and retirement equating to approximately \$544,000, and as in the last scenario, this includes no change in debt service. In terms of the

impact to the projected levy, it would mean an increase of about 4.91%. Another spreadsheet is given for additional detail.

Mr. Johnson proceeds with scenario 3 in which revenue and growth projections remain the same, but added is the financing of the 2010 Capital Improvement plan creating a projected levy increase of approximately 7.14%. Debt service was also factored into this scenario, including estimated principal and interest. Again, spreadsheets are given out for a detailed explanation.

Under all of these scenarios, at least as they stand currently, you have enough levy limit capacity to implement all of these scenarios. It is important to keep in mind that at most, the operating budget is projected to increase by \$544,000 which is part of the reason we are still in compliance with levy limits, since we are not looking at any major expenditure and have a fair amount of debt outstanding. As we continue to look ahead, these figures will all be adjusted accordingly. Technically, the levy limits expire in 2011, but we fully expect them to continue.

Mr. Johnson asks for questions and comments, and Alderman Wysocki notes that for purposes of discussion, and in terms of where we go from here, obviously the objective is to get to some sort of multi year projections. There are some very serious issues, and decisions will need to be made in order to continue, if, as is the desire of this committee, we want to maintain the current level of service, and determine what the community is willing to pay for those services. He continues that over the years, when long range financial planning has been tried, it has fallen apart when it comes to the expenditure side. He also believes that we could take **\$1,300,000 from surplus** for 2011 and remain within the limits of the 15% policy. Whatever the decision by this committee, it is his belief that the Council will need to set policy direction, and in that vein, it is the consensus of this committee that a separate meeting be set with the Committee of the Whole for March 2nd, for the purpose of discussing the financial report presented here by Mr. Johnson.

Mayor Chiovero commends Mr. Johnson for the work that went into this presentation, and expresses concern, especially as it pertains to upcoming health insurance costs, and arbitration. Alderman Wysocki requests input from citizen member Kapfhammer, and she responds that based on what she has heard here, most of the expenditure costs are fixed, as in wages, and that is where the process needs to begin.

New Business

08-10 Citizen Survey

Mayor Chiovero begins the discussion using a copy of the survey done by the City of Waupaca, purported to be very helpful in making their budgetary decisions. This survey basically asks what services the citizens would like to see, and are willing to pay for. Questions are raised as to what to include, whether in house, or contacted out, the costs, and the timeframe. This item will be kept on the agenda, will be researched further and reported at the next meeting.

07-10 Restructure of Finance Committee

Alderman Wysocki explains that in years past, this committee had a greater opportunity to serve the full Council in terms of actual development and presentation of the City budget, as well as claims and judiciary committee. General discussion, and Alderman Wysocki requests the committee review and consider for future recommendations.

Adjourn

Motion by Alderman Hopkins to adjourn at 7:45 p.m. Second by Citizen member Kapfhammer, and approved unanimously.

Respectfully submitted
Karin Ambrosh
Office Coordinator, Finance Dept
c: fincomm/02-10-10/kma