

Proceedings of Committee of the Whole
w/Finance Committee

Tuesday, March 21, 2006
6:00 p.m.

New Berlin City Hall
3805 S Casper Dr
Council Chambers

**5 Year Financial Plan
Workshop # 3**

Mayor Jack Chiovaturo called the meeting to order at 6:03 PM and asked for roll call: Alderman Hopkins, Augustine (arrived at 6:07pm), Gallagher, Harenda, Hegeman, and Ament. Excused: Alderman Moore.

Also present: Deputy City Clerk Sherry Grant, Planning Services Manager Nikki Jones, Inspection Services Manager Bob Sigrist, Director of Finance and IT Mike Holzinger, Police Chief Gary Blunt, Police Captain Frank Zsohar, Director of Parks, Recreation and Forestry Mark Schroeder, Director of Streets and Utilities Ray Grzys, City Assessor Paul Koller, City Librarian Katie Schulz, City Engineer JP Walker, Division Engineer Eric Nitschke, Director of Emergency Government Scott Schulpius, Maintenance Facilities Director Bob Schulpius, Director of Community Development Greg Kessler, Director of Human Resources Tami Potkay, Fire Chief Dobernig and Assistant Fire Chief Joe Dallman.

Brief overview of Workshop #2:

Financial Advisor Philip Cosson from Ehlers & Associates gave an overview via power point of Workshop #2.

At work session two the 5-year Capital Plan that was developed by staff including the entire wish list was presented. Since then they have made revisions based on discussions with department heads. Demonstration of several approaches to structuring debt had been presented. Level principal payments versus level debt payments versus level tax rate and the importance of those is that it has an impact on your tax rate and the interest rate you pay when you issue debt. Introduced the base case for the debt side to see where you are today with no other obligations undertaken. Submitted four scenarios for your review and asked that you consider several policies that would provide some direction.

Review financial models integrating operating budgets and capital outlay projections, and tax rate impacts of each:

Financial Advisor Greg Johnson from Ehlers & Associates gave a power point presentation on the operating budget and integrating the capital plan and showing the full impact of both on the tax rate.

Projects in the categories of Engineering – Improvements and Industrial Park Improvements have been either increased or decreased. The six year total of Engineering Improvements has increased about \$4,571,000. The other is an increase of \$3.5m in the Industrial Park Improvements over the 6-year period. Everything else has remained unchanged. The other two changes that have an impact are borrowing. These are potential grant money and using the Stormwater Utility to pay for some of the drainage improvements that are part of the larger street improvement projects in the CIP.

Option #1 – Finance all capital improvement projects over a 10 year period with the exception of a 20 year period for building improvements. This option takes into account the short term borrowing for roadway maintenance. The other criteria for this option is level debt service payments for all of the borrowings. This would result in a current base level of \$.91 that goes up to \$1.80 in 2010 and gradually declines from that point forward. This option shows that if you

funded everything that is included in your CIP how much it would cost you in terms of levying just for the debt portion.

Option #2 – Again this is a 10 year borrowing with the exception of a 20 year period for building improvements. This includes the short term borrowing for roadway maintenance. In this scenario the goal was a level tax rate for the debt service. You would still be at \$.91 for 2006 but the peak would be leveled off to \$1.45 and declining after the year 2012. The downside to this would be that your total interest for your borrowings would be increased over the 20 year period.

Review has also been done to look at the Storm Water Utility and its ability to absorb some of this new debt. Some of the existing general obligation debt is already being paid off by the Storm Water Utility. When using some of these funds you would still have ample funds to support your Storm Water Utility operations.

Financial Advisor Philip Cosson addressed questions regarding the CIP projects. Building and roadway projects are necessary improvements. Some other unknowns will still exist, not that they are any less important. Some of the roadway projects are being driven by the Storm Water Utility and that is why they are being looked to for a contribution for funding these projects.

Mike Holzinger explained how the roadway maintenance projects could be handled by obtaining a promissory note and then paying it off in a couple months during the new year. This would no longer be included in our operating budget and it frees up the \$1 million you have in the levy in your operating budget for roadway maintenance.

Obtain input and feedback from City Council on proposed operating budget and capital improvement program:

Policy Direction Required – Operating Budget

Should the City continue to appropriate fund balance/surplus? If so, what percentage is appropriate?

Should cash financing or short-term debt be utilized for roadway maintenance?

What alternative revenue sources/fees should be utilized?

Should the City fund a full-time Fire Department? If so, will they do so through a referendum? Is a new fire station needed without the full-time department?

Has a consensus been reached to change to adjust any services in the proposed operating budget?

Policy Direction Required – Debt Management

Should a tax rate for debt be targeted?

Should a debt burden target be established?

Should storm water fees be used to pay for drainage improvements included in roadway maintenance projects?

Has a consensus been reached to change or adjust any projects in the proposed CIP?

Obtain direction from City Council on debt and financial management policies:

Discussion and questions were asked regarding the charts and information that Ehlers had presented. No decisions were made regarding any of the policies presented.

Discuss next steps and follow-up:

Aldermen were encouraged to look further at the financial policies that were presented. Ehlers & Associates will not be returning until further direction is given to them and they are able to present adjusted scenarios.

Adjourn

Motion by Alderman Ament to adjourn at 7:55 PM. Seconded by Alderman Augustine and carried unanimously.

Respectfully submitted

Sherry Grant
Deputy City Clerk