



MINUTES OF A SPECIAL MEETING OF THE **FINANCE COMMITTEE** HELD ON **THURSDAY, OCTOBER 10, 2019**, AT 7:00 P.M. IN THE COUNCIL CHAMBERS OF CITY HALL, 2000 NORTH CALHOUN ROAD, BROOKFIELD, WISCONSIN.

ALDERMAN SCOTT BERG PRESIDING

MEMBERS PRESENT: Alderman Scott Berg, Alderman Ron Balzer, Alderman Mark Nelson, Alderman Dan Sutton, Alderman Jerry Mellone, Alderman Bob Reddin and Alderman Renee Lowerr.

MEMBERS EXCUSED / NOT PRESENT: None.

OTHERS PRESENT: Mayor Steven Ponto, Alderman Chris Blackburn, Director of Finance and Administration Robert Scott, Director of Human Resources Jim Zwerlein, City Attorney Jenna Merten, Director of Information Technology Kevin Beck, Fire Chief Charlie Myers, Police Chief Dan Tushaus, Director of Public Works Tom Grisa, Director of Community Development Dan Ertl, Director of Library Services Edell Schaefer, Director of Parks, Recreation and Forestry John Kelliher, Parks and Forestry Superintendent Gary Majeskie and Finance Manager Mary Reeves.

1. Alderman Scott Berg noted a quorum was present and called the Finance Committee meeting to order at 7:03 p.m.
2. Announcements:
 - a. The next regularly scheduled Finance Committee meeting will be held October 15, 2019.
 - b. A second special Finance Committee meeting to review the proposed 2020 budget is scheduled for October 17, 2019 at 6:15 p.m. (only if necessary).

Chairman Scott Berg confirmed with the Committee that the process used for budget reviews at this meeting will include an overview by the Mayor and staff of the executive budget, followed by questions of department representatives present at the meeting. Following the presentation and question and answer period, the Committee will then take action to recommend a budget to the Common Council to be adopted at its November 19 meeting, including any motions for changes to the executive budget (unless a second meeting is determined to be necessary).

3a. Mayor and staff presentation of 2020 Executive Budget.

Mayor Ponto summarized his comments from his 2020 executive budget transmittal letter, noting that 2020 is the 10th budget he was submitting as Mayor and that the 2020 budget continues to provide the public services the citizens expect, at a reasonable cost, while leveraging the City's financial strength.

Those public services are an important factor in the City's number one ranking as the Best City to Live in Wisconsin per the recently published study by ChamberofCommerce.org. He further stated

that the city government activities help ensure public safety and a high quality of life for our residents as well as supporting a vibrant business community. Brookfield's desirability is further demonstrated by the increase in the city's estimated 2019 population to 39,951 – the highest total in the City's history.

Mayor Ponto went on to state that the recognition as a great place to live and growth in population growth is positively impacted by the development and construction activity in Brookfield, showing the strong confidence people have in our future. It results in more goods and services being conveniently available to our residents, more employment opportunities, and a larger tax base. Brookfield continues to have the third highest tax base, behind only Milwaukee and Madison, as our equalized value again grew 5% from 2018 to 2019 to a total of over \$7.5 billion.

Mayor Ponto continued with a summary of the construction activity in Brookfield, such as the substantial improvements on the south end of Brookfield Square Mall, including the Movie Tavern and Whirlyball entertainment and dining facilities opening the weekend following the committee meeting. These developments and others in that area will help reinvigorate the City's largest concentration of tax base. Besides the private development in that area, the Mayor indicated his enthusiasm about the public-private partnership for Brookfield Conference Center adjacent to Brookfield Square. This state of the art facility is on track to open in early 2020, and he reminded the committee that the conference center has no direct on the 2020 operating budget, as it will be operated by North Central Group. The debt payments for conference center capital costs, funded by hotel room taxes, are included as expenditures in the 2020 budget.

The Mayor highlighted significant development activity occurring in other parts of the City, including retail and hotel development along the Bluemound Road corridor, the Landmark Credit Union headquarters development on Executive Drive, reinvestment by other businesses, and continuing interest in high quality residential subdivisions. He noted that the investment in development and redevelopment heightens Brookfield's position as a premier community, and that the development activity also benefits the City budget for 2020, as the good news that began with the 2017 budget regarding strong new construction continues to provide us with flexibility with respect to property tax levy limits. Net new construction value added in 2018 was over \$105 million, the second highest increase in value since that factor became an important element in budget development in 1993. The \$105 million equates to a 1.46% change in new construction contributes to the allowable levy change of approximately 1.9%, and allows the City budget to accommodate some of the funding challenges that we face.

Mayor Ponto stated that those challenges compel a longer term view of the City budget. Economic cycles fluctuate, and at some point the development trend will not continue at the current pace. If state levy limits continue as presently imposed, there will be budget pressures just to maintain the status quo level of services in the future. This is a continuing concern that has negatively affected many Wisconsin municipalities much more severely than Brookfield. He emphasized that the City will need to work with other communities and the League of Wisconsin Municipalities on possible state law changes to provide alternatives for funding municipal services. On the good news front, the 2019-21 state budget did not create any significant new limitations or mandates. In fact, general transportation aids, which support the City's transportation systems, were increased by 10%, which will assist in providing funding for infrastructure maintenance.

Mayor Ponto went on to state that the 2020 operating budget was developed to position the City for value growth closer to the levels experienced prior to the last four years, and the budget contains minimal programmatic changes, with the exception of adding two school resource police officer positions in partnership with the Elmbrook School District. This cooperative arrangement is consistent with the City Comprehensive Plan principles of Education and Regionalism. Elmbrook has been advocating for resource officers in the 2 high schools for some time, and the arrangement calls for the District to fund 100% of the ongoing salary and benefit cost of the officers. This spreads the cost over all the municipalities that are part of the Elmbrook district boundaries. The City budget is minimally impacted for training and equipment costs for the SROs.

Mayor Ponto concluded his remarks with items of note including the 60th anniversary of the Brookfield Public Library, and the completion of the Hidden Lake Park and trail with capital funds earmarked in previous years as examples of amenities that reflect Brookfield's high quality of life. He also noted that the 2020 budget includes one-time funding identified for 2020 projects to improve accessibility and GIS mapping capability for the City website, as well as monies for an upgrade to the technology in the Common Council chambers to improve meeting presentations and broadcasting of City meetings. Both of these efforts will enhance transparency and citizen access to their city government. Finally, the 2020 budget also continues an emphasis on maintenance of City facilities, with additional operating budget funds for pavement maintenance, and infrastructure improvements in the City's long term capital improvement plan, including trails, stormwater, bike path, street and utility projects that improve or sustain the facilities used by citizens.

Director of Finance and Administration Scott was then asked to provide commentary regarding the proposed budget. He noted that beyond the only substantive staffing change (addition of the school resource police officer positions), other staffing changes include creation of a full-time GIS Technician position to replace the former part-time GIS college intern in the Information Technology department; cost of this position will be shared with the utilities. The remaining staffing changes for 2020 primarily relate to reclassification of certain positions and moving one part-time position in both the Fire department and Library to full-time, accompanied by certain changes in responsibilities.

Director Scott went on to describe other cost issues and initiatives considered as part of developing the 2020 budget, as follows:

- a) Salary budgets include the estimated impact of salary adjustments as per the budget parameters established by the Finance Committee discussed below, along with the position changes noted above. Exclusive of the salary impact of position changes and 2020 election related costs, general fund salary budgets are increasing 2.2%, reflecting in part ongoing turnover in staff, as budgeted salaries for new employees include the effect of moving through steps per the salary ordinance or union contracts. As noted by the Mayor, the salary and benefit cost of the school resource officer positions is being reimbursed by the Elmbrook School District.
- b) There is significant impact on the 2020 budget for the City's contributions to the Wisconsin Retirement System (WRS). Combining lower than projected returns on WRS assets with higher payouts to WRS participants, the Employee Trust Funds board raised contribution rates for 2020, with general employee rates rising 3% on a relative basis and public safety employees 6-7%. Inclusive of the impact of the position changes noted above (primarily the school

resource officer positions), budgeted general fund WRS contributions are increasing \$225,000, or 10%.

- c) The City has been working to manage the cost of employee health insurance for several years. The 2019 budget included a 2.5% increase for premium equivalent charges to department budgets based on improved claims experience and expected health care cost trend. The actual experience for 2019 has been even better than expected, running at approximately 90% of expected cost. After considering the positive claims experience, a second year of the new pharmacy benefit administrator to assist in managing drug costs, and the reserves built up in the City's health insurance fund, budgeted premium equivalent charges to departments are being held flat for 2020. Staff will continue to work with the City's health care consultant to manage health insurance costs, including further promotion of the high deductible plan option implemented in 2018.
- d) Risk management charges for the general fund are increasing \$34,000 (5.7%), due to higher costs for liability, property and workers compensation coverages. The workers compensation component reflects a significant increase in the City's overall experience modification factor due to a poor claims year in 2018; that increase was mitigated in part by use of risk management fund balance accumulated in part from prior worker's compensation dividends that were higher than budgeted.
- e) Energy (natural gas and electricity) budgets reflect forecasts using the WE Energies predictive model, with an overall increase for the general fund budget of 1.2%, reflecting primarily a 20% increase in street lighting costs to bring the budget closer in line with recent actual expenditures.
- f) 2020 is a Presidential election year (total of 4 elections vs. 2 budgeted for 2019), and as such, the Elections budget is increasing substantially (\$88,000), including salaries for election workers, supplies, and contractual services for leasing of additional election equipment to process the expected increase in casting of absentee (early) voting ballots. A portion of these costs are being funded using general fund balance.
- g) An increase in the snow and ice control materials budget of \$66,000, based on an increase in road salt prices per the state contract in which the City participates (salt prices have increased over 23% over the past two contracts, due to the cost of transportation). The 2020 budget is based on the City's usual practice of assuming average salt usage during a typical winter, with contingency funds used to cover higher than average material needs.
- h) Further expansion of the Public Works pavement maintenance program (operational budget) – in 2017, the Engineering division analyzed street pavement maintenance conditions and provided a series of reports to the Board of Public Works. The analysis concluded that the condition of the City's streets has been declining as budgets have had nominal increases. The 2018 and 2019 budgets added funding for increased maintenance, including alternative techniques to the typical resurfacing program, and the proposed 2020 budget adds another \$160,000 in pavement maintenance funding to address the maintenance issues.
- i) Besides the elections cost noted above, non-recurring expenditures included in the 2020 proposed budget include a Police forensic computer upgrade (\$32,000 above typical Police outlay); Fire equipment purchases (\$17,000); and costs to ensure accessibility of the City's website, including an upgrade to the GIS web map application (\$52,000). These items are also

being funded with general fund balance as they should not be recurring costs, and the general fund balance is well within the City's fund balance policy. That policy is also being considered in the decision to apply an additional \$50,000 of fund balance as applied surplus, given the City's history of general fund surpluses.

Director Scott then provided highlights of significant program elements in department budgets, including many of which address focus initiatives for the City. He noted that further details on these issues or objectives can be found in the individual department narratives or in the separate section of the budget document that discusses the budgetary impact of implementation priorities through 2020 relative to the City's 2035 comprehensive plan:

Public Works (including utilities)

The Public Works divisions have a number of initiatives. Beyond the increased investment in pavement maintenance noted above, the proposed CIP reflects a number of other public works infrastructure projects. Stormwater projects include replacement of a bridge on Corporate Drive and a storm sewer upgrade. Funding is included for bike paths along North Avenue from 124th Street to Calhoun Road in conjunction with the Waukesha County project to improve North Avenue. Street-related projects include additional funding for right of way acquisition for the future year expansion of Calhoun Road between North Avenue and Capitol Drive, along with monies for burying the WE Energies electrical power lines along Calhoun in advance of the road widening scheduled for 2021.

The Wastewater utility will be completing repairs and equipment replacement for the primary clarifiers at the treatment plant, and will begin the construction of the mandated phosphorus reduction project. No adjustment to wastewater rates is contemplated for 2020.

The Water utility will continue its program of electrical upgrades and testing to increase operational efficiency and improve safety, along with a number of upgrades to well and pump station equipment. The general rate case adjustment for water utility rates that was effective during the 4th quarter of 2019 will be fully implemented in 2020, providing a 20% increase in revenues. In addition, the program of water main extensions in various areas of the City in accordance with the adopted water main policy.

Public Safety

Succession planning will continue to be a focus for both the Police and Fire departments. Both departments expect additional retirements and other turnover as has been experienced the past several years, and will need to continue to assimilate new staff and train staff promoted to new positions. The Police department will be implementing the school resource officer program, and Fire will be working to transition some of the fire inspection responsibilities to the new Community Risk Reduction full-time position.

Quality of Life

Parks, Recreation and Forestry budgeted capital expenditures include continued development of Greenway Corridor trail sections (Deer Creek area), and 2020 will see the completion of the Hidden Lake park and trail section with funding identified in previous years. Parks and Recreation will also be upgrading its program registration software. The Library budget reflects the change in staffing noted above, with a stable funding level for the library materials budget (including shared electronic services with other libraries in the Bridges library system between Waukesha

and Jefferson Counties). 2020 budgeted expenditures for the mosquito and deer control programs have been maintained at \$165,000, funding the cost of monitoring and one full mosquito treatment.

Community Development

Community Development will implement the Bishops Woods neighborhood plan; execute elements of the Calhoun Road South neighborhood plan, including the Corridor development and Brookfield Square mall area; promote the Village Area TIA, including completion of the project to relocate the historic Brookfield Railroad Depot; and begin implementation of other components of the 2050 Comprehensive Plan, update of which is scheduled for adoption in early 2020.

As the Mayor noted, the Brookfield Conference Center is scheduled to open in early 2020, and the only impact on the 2020 operational budget will be staff time involved in overseeing the completion of construction and transition to center operations, which falls mainly on Community Development staff. Besides the Conference Center debt service, the Economic Development Fund also reflects a budgetary impact from the BCC, as the room taxes for tourism promotion that are being retained for BCC debt service (as well as increased room taxes from four newly opened hotels that is paid to Visit Brookfield for tourism promotion) are accounted for in that fund.

Facilities, Technology, and Efficiency

Facilities has identified a number of projects which will be funded from 2019 general fund surplus if such surplus remains available. Replacement of a portion of the City Hall parking lots is also anticipated. As noted by the Mayor, the City Clerk and Information Technology will be working on website accessibility, including the GIS map upgrade, and updating the Council chamber technology for improved meeting presentations as well as enhanced broadcasts of City meetings.

Director Scott then offered some additional comments regarding the City budget as a whole, highlighting the following points and reasons for changes beyond the factors discussed earlier in the meeting:

The executive budget was developed in accordance with state statutes, City code and the City's financial policy regarding budget development, with parameters established by the Finance Committee at its June 18 meeting. Departments developed budget requests throughout July and August and certain boards and commissions reviewed budget information during that period as well. Following the Finance Committee review meetings this evening and on October 17 (if necessary), the Committee's recommended budget will be presented to the Council for adoption on November 19, preceded by the official public hearing.

Director Scott noted the proposed general fund expenditure budget change is 4.1% compared to the 2019 budget. Without the addition of the SRO positions, and considering the non-recurring costs funded via general fund balance as outlined above, the change in the budget would be 3.4%, reflecting the cost impacts noted previously. Further, the budget is under the ERP limit (after considering changes in tax levies) by \$56,000 and meets the state tax levy limit.

He also indicated that in addition to levy limits, the City is also affected by a spending limitation in order to qualify for the State ERP. By qualifying for ERP, the City receives supplemental state aid (estimated at \$205,000 for 2020), and preserving that funding source is important given ongoing levy limits. The ERP limit is a combination of inflation (CPI-U) and a factor based on new construction. The increase in the CPI over the past year plus the continued strong new

construction value noted by Mayor Ponto leads to an estimated ERP limit for the 2020 budget of 2.80%, down from 3.1% for 2019. The state Department of Revenue revised its interpretation of the ERP limit in 2016 to include the change in property taxes levied for specified purposes to other City funds, and the 2020 executive budget was prepared to comply with the revised interpretation as the stormwater levy (\$300,000) was shifted to vehicle replacement and general fund, computer replacement levy reduced by \$50,000, and employee retirement levy reduced by \$20,000.

Director Scott stated that the total 2020 City budget, including operations, utilities, debt payments and capital spending, is proposed at \$99.2 million, representing a 9% increase in total City spending (after excluding the 2019 conference center construction costs), mainly due to capital improvement expenditures for the wastewater utility phosphorus reduction project, and a full year inclusion of conference center debt service. He went on to note that the proposed tax levy is increasing 1.890%, resulting from the new construction value growth, an increase in debt service factor resulting from recent debt activity, and carryover of capacity from prior year. The City tax levy of \$39,495,000 is within projected levy limit as previously noted. Director Scott indicated that the overall tax bill is projected to increase \$230 for the average home, net of lottery and first dollar credits, due in part to an increase in the Elmbrook school levy and also due to the shift between residential and commercial valuations resulting from the 2019 residential revaluation. He noted that without the impact of the revaluation, the City portion of the tax bill would be up about \$35 and the total bill approximately \$110. Further, the total tax bill for the average valued home (updated value of \$365,000) is projected to be essentially the same as it was for the 2014 budget.

Director Scott then provided summary comments regarding various fiscal aspects of the proposed budget, including the revenue impacts for the general fund budget. Room tax revenues allocated to the general fund are lower for 2020 as 2011 collections were lower than 2012, which results in a decrease in 2020 compared to 2019, due to the 2015 state law change capping the amount of room taxes the City can retain for non-tourism purposes. This change will continue to impact the City budget through 2021. He noted that shared revenue is flat based on no change in the state budget, and that the expenditure restraint program revenues are down approximately \$90,000 due to the decline in the City's equalized tax rate. A further decrease in those revenues is expected for 2021 as the equalized tax rate will again decline due to the City's strong value growth outpacing increase in the tax levy. He further noted that the proposed budget includes increased general transportation aids from an increase in such aids in the 2019-21 state budget; decrease in budgeted building permit revenue based on anticipated development activity (although permit fees will be increased for 2020); and increased budget for investment revenue due to improved rates (although down from 2019 projected). Lastly, he went on to say that the proposed budget also includes \$550,000 in applied surplus as a funding source, equal to the \$350,000 contingency appropriation; \$100,000 for non-recurring costs (e.g., police forensic computer, web accessibility costs); \$50,000 for extraordinary elections costs; and \$50,000 based on history of general fund surpluses.

Director Scott stated the capital budget (exclusive of estimated conference center costs and the wastewater and water utilities) totals \$4.6 million, supported by \$3.3 million in general city borrowing. Other sources of funding include expected 2019 general fund surplus, Greenway Trail fund and Stormwater fund. He highlighted the section of the budget document that describes the capital budget with the most significant projects being the transportation improvements previously noted (\$2.5 million); storm sewers (\$825,000); and the North Avenue sidewalks.

Director Scott noted that the wastewater utility budget includes a comparable spending for inflow and infiltration rehabilitation expenses compared to the 2019 budget, but the focus continues to change from private property repairs to manhole and sewer lining rehabilitation. Sewer rates will remain the same for 2020. He indicated that budgeted MMSD capital charges are decreasing from 2019 to 2020 due to higher credits against the capital charge for less work in non-contributory watersheds and a credit for not having to contribute to MMSD green infrastructure program, and that MMSD operating charges are projected to be basically flat. He reiterated that as noted previously, the primary wastewater capital project is the project for phosphorus reduction to comply with state and federal mandates (funded in part by contract community contributions).

With respect to the water utility budget, Director Scott indicated that it reflects status quo operations and the full year impact of the rate adjustment approved for the 4th quarter 2019 as approved by the Public Service Commission. Water revenues are projected to increase 20% overall. Beyond the capital projects noted earlier, water utility expenses include a reduction in water tower painting costs, offset by an increase in transmission and distribution costs related to relocation of facilities in conjunction with the North Avenue widening project, but overall expenses are relatively consistent.

Director Scott then concluded his remarks with comments about non-major fund budgets, noting that the Economic Development fund reflects the impact of the Conference Center project and the impact of the state law change regarding room tax revenues. 2020 budgeted revenues are based on the forecasted revenues for 2019 plus estimates for additional revenues from one hotel reopening following reconstruction and the three additional hotels currently under construction. Due to the state law, all of these revenues are being budgeted in the Economic Development (EDC) fund, as the excess beyond the actual amounts retained in 2011 must be allocated to tourism promotion in 2020. That increase plus the revenues from the new hotels result in the significant revenue increase compared to 2019. A corresponding increase in the CVB (Visit Brookfield) expenditure budget (550000) is also shown in the 2020 budget. However, per the revised agreement with Visit Brookfield, every year the City will temporarily retain room tax amounts above the monthly stipend paid to Visit Brookfield to accumulate monies for the subsequent year's debt service requirements on the debt issued to fund the construction of the Conference Center. The debt service amounts to be accumulated in 2019 and 2020 for 2020 and 2021 debt payments, respectively, are shown as transfers to the Conference Center debt service fund.

With respect to other non-major funds, Director Scott indicated that the vehicle replacement fund anticipates one highway patrol truck replacement; replacement of 8 police vehicles vs. 6 in 2019; and replacement of a fire ambulance. Finally, he noted that the debt service fund shows an increase in debt service expenditures reflects a significant principal payment from the 2019 bond issue, which is funded by the substantial premium that was received on 2019 bonds which can only be used for debt service.

3b. Review of department operating and capital budgets.

3c. Review of other fund budgets as applicable (debt service, non-major funds, internal service funds).

Discussion then ensued regarding various departmental operating and capital budgets, along with any related non-major fund budgets. Committee members questioned staff present on various items and points requiring clarification within the proposed department budgets.

3d. Recommendation on proposed 2020 budget to the Common Council.

Motion by Aldermen Mark Nelson, seconded by Alderman Dan Sutton, to approve the 2020 executive budget as presented and recommend adoption by the Common Council, and to direct staff to prepare the necessary ordinances for budget adoption.

Alderman Scott Berg then inquired if any alderman wished to offer amendments to the budget as presented. There were no amendments offered. A vote was then taken on the motion, and the motion carried 7-0. As a result, the tentatively scheduled October 17, 2019 meeting is not needed.

4. Adjournment.

Motion by Alderman Dan Sutton, seconded by Alderman Mark Nelson, to adjourn the Finance Committee. Motion carried 7-0. Meeting adjourned at 8:55 p.m.

Minutes respectfully submitted by Robert Scott, Director of Finance and Administration.