



11333 N. Cedarburg Rd
Mequon, WI 53092-1930
Phone: 262/236-2914
Fax: 262/242-9655

www.ci.mequon.wi.us

Office of the City Clerk

**COMMITTEE OF THE WHOLE
August 26, 2014 – Christine Nuernberg Hall
MINUTES**

PRESENT: Mayor Abendroth, Aldermen Strzelczyk, Pukaite, Mayr, Gierl, Hawkins, Nerbun, Adams, Acting City Administrator Thyges, Deputy Clerk Fochs, Finance Director Watson, Assistant Finance Director Rudychev, Police Chief Graff, Fire Chief Bialk, City Engineer/Public Works Director Lundeen, Water Utility Manager Rau, press and interested public.

ABSENT: Alderman Leszczynski

Mayor Abendroth called the meeting to order at 6:45 PM.

Acting City Administrator Thyges stated the goals of the meeting are to have discussions on the items listed below and provide guidance to staff on budgetary issues.

1) Item for Discussion – Long term Budgetary Planning:

Finance Director Watson stated the purpose of the meeting will be to review the Aal community rating, debt capacity and fund balance policy, provide status of two major TIF districts, discuss large scale capital projects in next five years, revisit tax level restraints, and set goals for staff for the 2015 budget. Overall we are in very good shape. Aa1 communities are seen as strong communities and therefore interest rates are usually lower for new debt. Our debt capacity stats have been relatively level over the past 6-7 years. Current fund balance is approximately 20%; higher than the City's stated policy of 10-15%. The higher percentage can be attributed, in part, to recent Act 10 legislation, tightening of department budgets and staff turnovers. Approximately \$10M of the current debt can be attributed to TIF 2 and 3, however, the debts on these will retire 10-12 years out. State levy limits are 0% or the amount of net new construction. For 2014, net new construction will be .56%, which translates into approximately \$150K for a \$4 billion city value. TIF2 (Industrial Park) project funds are fully expended and it is expected to close out as scheduled by 2026. However, with one more major project it could probably be closed out sooner. TIF3 (Town Center) project funds are almost fully committed. Per the Dept. of Revenue, TIF3 is expected to generate some increment in 2014, however, not enough to cover all of the 2015 debt service of approximately \$526K. Intra fund borrowing may once again be needed to meet commitments. Capital projects for the next five years are committed for road funding, sinking fund, new combined Public Works facility, and rebuilding of East Trunk Sewer. Mequon's total levy limit is \$19.6M. Some options for leveraging tax capacity are: referendum to exceed levy limits, pilot agreements for utilities, reduced capital project spending, reduced road funding.

2) Item for Discussion – 5-yr Capital Improvement Plan:

Discussion ensued on the Logemann Center, the services provided, lease, building maintenance and the future of the center. Council recommended further discussion at a Public Welfare meeting. In addition, Lundeen stated the building maintenance figures are contingent on the Council's decision on a consolidated Public Works facility because that would eliminate three aging buildings that have ongoing costs associated with them. None of the repairs associated with those three aging buildings are in this capital request because they are in the request for the combined facility. If Council decides not to fund the combined facility then it would result in increased costs in building maintenance.

3) Item for Discussion – Goals for the 2015 Operating Budget:

Discussion ensued on financing major projects such as roads with a tax increase, long-term borrowing or pay-as-we-go. Council requested from staff a report on road conditions and the effects of reducing

road funding on sustainability of the roads. Would it be beneficial to borrow more now at lower interest rates? Funding goes to rehabilitation, general maintenance, reconstruction, crack sealing, mill and overlays. Staff cautioned against increasing funding and our road projects all at once since that could lead to a high-cost repair bill in the future as the roads would deteriorate on the same cycle. The number of available quality contractors is limited and only so many projects can be done in the span of a year.

Is Council open to considering and discussing these potential adjustments (increased taxes, increased debt) should they be needed? Discussion ensued on holding the line on taxes vs increasing the levy.

What is the Council's tolerance on using the fund balance to balance the budget? Adams feels that the policy of requiring a 10-15% fund balance needs to be changed because it is too high. Strzelczyk and Pukaite are opposed to that idea noting peer community average and the need to have emergency funds in the event of a disaster or the need for capital improvements. The challenge for staff is to maintain a balance between adequate funds to maintain and enhance the City, and excessive reserve funds.

Discussion ensued on the goals of the Council for the 2015 budget. These include keeping taxes low, providing quality public safety, maintaining roads and infrastructure, increasing the drainage fund, improving park facilities, possibly increasing seasonal park staff, and shifting administrative duties from police officers/detectives.

- 4) **Adjourn:** Moved by Alderman Hawkins, seconded by Alderman Nerbun to adjourn at 8:15 pm. The motion passed by voice acclamation.

Respectfully Submitted,
CITY OF MEQUON COMMITTEE OF THE WHOLE
Kathy Andrykowski, Administrative Assistant