

MINUTES OF AN OFFICIAL MEETING

Regular Meeting of: Finance Committee

Date and Time: Thursday, October 12, 2023, at 6:30 pm

Location: Common Council Chambers, 2000 North Calhoun Road, Brookfield WI

Members Present: Alderman Dave Christianson (Chair), Alderman Bob Reddin, Alderman Mike Hallquist, Alderman Scott Berg, Alderman Jerry Mellone (via telephone - arrived 9:27 p.m.), Alderman Kathryn Wilson

Others Present: Mayor Steven Ponto, Alderman Chris Blackburn, Alderman Bill Carnell, Alderman Rick Owen, 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 David Mason, Police Chief Jim Adlam, Director of Public Works Tom Grisa, Director of Community Development Dan Ertl, Director of Library Services Cathy Tuttrup, Director of Parks, Recreation and Forestry John Kelliher, Deputy Finance Director Sarah Kitsembel, Finance Manager Mary Reeves, and Library Board President Beverly Wentz

Members Absent/Excused: Alderman Jason Anderson

10/12/2023 - Minutes

1. Roll Call

Alderman Dave Christianson noted a quorum was present and called the Finance Committee meeting to order at 6:30 pm.

2. Announcements

- a. The next regularly scheduled Finance Committee meeting is Tuesday, October 17, 2023.
- b. An additional Special Finance Committee meeting to review the proposed 2024 budget is scheduled for October 19, 2023 at 6:30 pm, if necessary.

3. New Business

- a. Presentation of 2024 Executive Budget.

Alderman Dave Christianson noted that the process used for budget reviews at this meeting would include an overview by the Mayor and staff of the executive budget, followed by brief presentations by department representatives present at the meeting and questions from the Committee. 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 21 meeting, including any motions for changes to the executive budget (unless additional meetings are determined to be necessary).

Mayor Ponto provided summary commentary from his 2024 executive budget message (full message can be found within the budget document located on the City website). He noted the following four broad themes in his remarks:

1. Property values, new construction growth, and levy limits
2. Budget pluses and minuses
3. Partnerships and creative uses of funds
4. City fiscal situation – near and longer-term

Property values, new construction growth, and levy limits

Mayor Ponto noted that the equalized value) as determined by the Wisconsin Department of Revenue increased by 10% to nearly \$10 billion - the fourth highest in the state. A significant part of the increase in equalized value is in residential values, as the residential portion of the equalized value has grown by over 30% in the past three years. The residential real estate market remains extremely active, and commercial property equalized values have also grown by over 20% in recent years. As a result of these changes in value, the City Assessor performed a revaluation of all property throughout the City, as required by Wisconsin law. The updated values, with a new average home value for tax purposes of \$460,000, will be used for the December 2023 tax bills. He further indicated that although the increases in value are substantial, the updated total tax base value does not translate to significant flexibility for the City budget, as tax levy limits are based on new construction, not changes in market values. For 2022, the Department of Revenue estimated that the City of Brookfield had \$88 million in net new construction, which although a large number, is lower than recent years and reflects slower construction activity.

Budget pluses and minuses

Mayor Ponto continued his remarks by noting that although inflation appears to have cooled in recent months, the consumer price index is still up over 5% compared to a year ago, which points out the problem with levy limits and the way we fund local governments in Wisconsin. Although significant on an absolute basis, our recent construction growth does not keep up with inflation or other costs affecting all areas of the City budget. He noted the efforts by the City, the League of Municipalities, and other governments to lobby the state to make changes in local government funding, which is resulting in \$1 million in additional shared revenue for the City in 2024, which is welcome, but does not fully fund the increase in the cost of providing City services at existing levels.

The Mayor noted other positive news for funding the budget, including the recovery of room taxes to the point that the City will be collecting the maximum it can retain to support City operations per state law and our tourism promotion contract. In addition, the Federal Reserve actions to hold interest rates at higher levels means that investment revenue will contribute even more towards the 2024 budget. Finally, a portion of the City's ARPA monies will be used in general support of the 2024 budget, albeit at lower levels than in 2022 and 2023, keeping in mind that these funds are not available after 2024.

Partnerships and creative uses of funds

Mayor Ponto highlighted several partnerships that are being pursued in conjunction with the 2024 budget, including public-private partnerships consistent with the comprehensive plan short-term initiatives. These include Wirth Park playground, with citizen involvement in design and fundraising, along with ARPA dollars; partnering with private entities on construction ball diamond concession facilities at Wirth Park and McCoy Field; extension of wireless carrier leases to provide ongoing revenues to offset water rates and provide community amenities such as Greenway Corridor trails; and the Police department partnering with Waukesha County for embedded social worker services to enhance capabilities in this area. He also noted that the City is leveraging other pieces of the remaining ARPA funds in 2024 to make investments in facilities and infrastructure and plan for future needs, including pavement treatments, completion of pickleball courts, and facilities needs studies for both the Police department and the Civic Center campus.

City fiscal situation – near and longer-term

For the final theme, Mayor Ponto noted several cost reductions identified by departments given the City's current and projected fiscal situation. The Police department's partnership with Waukesha County will allow it to eliminate the social worker position that was vacant due to a retirement, as well as modifying its clerical support schedule and staffing, which allows for the reduction of a currently vacant position. The Library is also reducing a vacant part-time position, and Parks and Recreation is proposing a reorganization of program oversight and administrative support that is expected to result in slightly lower compensation costs.

The Mayor noted that although these changes help address the 2024 budget, there is a concern of the gap between the forecasted cost of providing City services and the property tax levy needed to fund such services in future years. With increasing uncertainty regarding future City budgets due to levy limits, the ebb and flow of economic cycles, and the reality of a slowing development trend, bolder solutions to the funding challenges will require consideration, including new revenue sources (for example, a wheel tax as permitted under state law), or consideration of levy limit referenda. Absent those items or further changes in the local government funding model that would require state government action, the alternative is consideration of changes in service levels. He closed by stating his confidence in the City government to work together to find solutions to the challenges we face and will continue to make Brookfield an outstanding community.

Director of Finance and Administration Scott then provided a summary of the fiscal components of the proposed budget (a full executive summary can be found within the budget document located on the City website). The tax levy per the proposed executive budget is \$42,935,000, or an increase of 1.56%. The owner of a home whose value was adjusted consistent with the overall residential value change of 27% (new value for tax purposes of \$460,000) is expected to have a \$74 change in the portion of the tax bill that funds the 2024 City budget, with an estimated overall decrease of \$96 in the total bill that funds all taxing entities. The overall decrease in the estimated total bill results from an expected decrease in the school taxes allocated to the City as the Elmbrook Schools levy will be declining due to additional state aid provided to the district in the 2023-25 state budget. A further reason for the change in the total bill is the estimated impact of a 23% increase in the state school levy credit provided in the state budget. Besides those changes, the increase in the City portion of the bill for a residential tax bill results in part from a shift between residential and commercial values, as commercial property values increased 13% compared to the 27% residential change.

Director Scott noted that 2024 is the last year that ARPA funds can be used, and the 2024 budget includes an interfund transfer of \$735,000 to the general fund, including a general subsidy of \$500,000; \$200,000 for pavement treatment as noted by the Mayor; and \$35,000 for neighborhood plan updates. The segregated ARPA fund also includes \$225,000 in funding for facilities studies (\$200,000 – Police and Civic Center) and automated external defibrillator replacement/updates; and \$590,000 in support of certain capital spending.

Director Scott went on to describe other cost issues and initiatives considered as part of developing the 2024 budget, as follows:

1. Salary and benefit budgets are the largest cost component of the operating budget. The 2024 budget includes a vacancy allowance (reduced budget compared to authorized positions) based on historical salary budget variances (\$120,000 Police, \$60,000 Highway). If such variances do not recur, a transfer from contingency or appropriation of fund balance may be needed.
2. An area having a negative impact on the 2024 budget is an increase in the City's contribution rates for Wisconsin Retirement System (WRS) employer contributions for sworn public safety employees (8% for Police, 5.5% for Fire), with another change imposed by the Employee Trust Funds board due to expected increases in benefit payments as the workforce ages and more employees in the WRS statewide retire and access pension benefits.
3. The City has been working to manage the cost of employee health insurance for several years. The 2024 budget included a 5% increase for premium equivalent charges to department budgets based on preliminary projections from the City's insurance consultant. Final stop loss insurance quotes were received this week, reflecting a reduction in such premiums, which

combined with inflationary pressure from health care cost trend confirms the 5% increase.

4. 2024 is a year with four statewide elections, including a Presidential primary and general election. As such, the 2024 Elections budget shows a significant increase to reflect the increased staffing and operating costs to run elections that historically have the highest turnout.

5. The Public Works pavement maintenance program includes not only the ARPA funding previously mentioned, but also an inflationary adjustment to the 2023 base budget amount.

6. The contract for collection of garbage and recyclables includes a provision for increased costs based on inflation and fuel factors. The initial 2024 budget submission would have included an increase in contracted costs of 6.1% for garbage and 5.1% from recyclables. To reduce these costs and consistent with the Finance Committee's direction to staff to seek cost reductions to meet the levy limits, the executive budget proposes eliminating City funding for bulk items picked up by the contractor. Such services would still be available for a fee paid directly to the contractor by those who use the service. This change reduces City costs by an estimated \$160,000.

Director Scott noted the proposed general fund expenditure budget change of 4.29% compared to the 2023 budget exceeds the expenditure parameter established by the Committee (still under the state ERP limit), due in large part to the cost factors noted previously (e.g., pension contributions and health costs), plus the impact of several non-recurring costs being funded from either 2023 projected surplus or ARPA monies. The General fund budget change would be 3.4% without the effect of the following non-recurring items:

- One-time facilities capital projects (carpet and boiler replacement - \$115,000)
- Assessor's office transitional funding (\$120,000)
- Pavement micro surfacing (\$200,000 – ARPA)
- Neighborhood plan consulting services (\$35,000 – ARPA)

The total general fund increase is well below the expenditure restraint program (ERP) limit of 6%.

However, despite meeting the ERP limit for 2023 and 2024, due to the restrictions on the City's tax levy and the growth in the City's equalized (total market) value, the City does not qualify for ERP funding in 2024 (or 2025) as its equalized tax rate is significantly below the minimum of \$5 per \$1,000 of equalized value.

Director Scott then touched on the long-term financial outlook, noting the growing gap in future years between the forecasted allowable levy and the level of funding that would be necessary to maintain existing levels of City services as reviewed on several occasions by the Committee, including a projected gap of over \$2 million in 2025. He asserted that the Council and City administration will need to expand the deliberations begun in 2023 to identify funding alternatives and creative methods of maintaining City services at existing levels, absent changes in state law or other dynamics. As the Mayor indicated, such alternatives may need to include consideration of levy limit referenda.

Director Scott then provided summary comments regarding various fiscal aspects of the proposed budget, including the revenue impacts for the general fund budget. The room tax budget for the general fund is up \$460,000 compared to 2023, representing the maximum the City can retain under Wisconsin law and the tourism promotion agreement. He noted again the increase of \$1 million in state shared revenues and the lack of expenditure restraint program revenues as previously referenced.

Director Scott further noted that state transportation aids are increasing 5%, or \$107,000 due to higher aidable street costs in recent years, and that 2024 does not include the Local Road Improvement Program, which is available every other year. The FEMA aid included in the budget is the last full year of the SAFER firefighter grant, and shared services – other governments represents the reimbursement from the Elmbrook Schools for the school resource police officers at the high schools and Wisconsin Hills middle school.

Director Scott went on to indicate that budgeted building permit revenues are consistent with projected 2023 actual amounts, as are ambulance revenues. The budget for parks revenue has been increased to reflect a change in the fee structure to better recover the costs for park maintenance/setup for use of

facilities. Finally, budgeted investment revenues are budgeted at expected continuation of higher money market returns, which are even higher than that forecasted for 2023.

Lastly with respect to the general fund, Director Scott pointed out that the proposed budget includes \$585,000 in applied surplus as a funding source, covering the \$350,000 contingency appropriation, facilities capital costs (\$115,000), and \$120,000 in funding for deputy assessor transition. Transfers in from other funds include the \$735,000 in ARPA monies and \$145,000 in Greenway Corridor funding for parks maintenance positions.

Director Scott concluded his remarks by summarizing the capital budget (exclusive of the wastewater and water utilities), which totals \$8.1 million, supported by \$5.4 million in general city borrowing. The projected 2024 bond issue exceeds the budget parameter due to higher expected costs based on recent bids, particularly for transportation related projects and railroad quiet zone conversion costs. He highlighted the section of the budget document that describes the capital budget with the most significant projects being transportation improvements (\$3,630,000) and park improvements (\$2,730,000), including the Wirth Park playground and Greenway Trail extension and path reconstruction.

- b. Review of department operating and capital budgets.
- c. Review of other fund budgets as applicable (debt service, non-major funds, internal service funds).

The department heads in attendance then gave brief presentations regarding their respective areas of budget responsibility. Committee members then discussed the departmental operating and capital budgets, along with any related non-major fund budgets, and questioned staff present on various items and points requiring clarification.

- d. Recommendation on proposed 2024 budget to the Common Council.

Motion by Alderman Bob Reddin, second by Alderman Mike Hallquist, to approve the 2024 executive budget as presented and recommend adoption by the Common Council, and to direct staff to prepare the necessary ordinances for budget adoption.

Alderman Dave Christianson then asked if there were any amendments to be offered. Motion by Alderman Bob Reddin, second by Alderman Mike Hallquist, to amend the proposed budget to include the staff recommendation to adjust budgeted transportation aids and tax levy amounts based on final information being received from the state, with the net effect of increasing the proposed property tax levy in the Vehicle/Equipment Replacement fund by \$25,000, with a total proposed tax levy of \$42,950,000. Motion carried 5-0.

Alderman Jerry Mellone joined the meeting at this point.

Motion by Alderman Kathryn Wilson, second by Alderman Mike Hallquist, to amend the proposed budget to add an allocation of \$76,300 from the American Rescue Plan Act fund to fund a contracted community mental health education program. Following discussion among the Committee, a vote was taken, and the motion carried 5-1, with Alderman Bob Reddin dissenting.

There being no further amendments, a vote was then taken on the main motion as amended, which carried 6-0. As a result, the tentatively scheduled October 19, 2023 meeting is not needed.

4. Adjournment

Motion by Alderman Mike Hallquist, second by Alderman Bob Reddin, to adjourn the meeting at 9:37 pm. Motion carried 6-0.

Respectfully submitted: Robert W. Scott - Finance Department - Director of Finance and Administration