



## MINUTES OF AN OFFICIAL MEETING:

Regular / Special Meeting: Finance Committee

Date and Time: Thursday, October 14, 2021 at 6:30 pm

Location: City Hall, 2000 N Calhoun Rd, Common Council Chambers

Members Present: Alderman Scott Berg, Alderman Mike Hallquist, Alderman Mike Jurken, Alderman Jerry Mellone, Alderman Bob Reddin, Alderman Kathryn Wilson, Alderman David Christianson

Members Excused: None

Others Present: Mayor Steven Ponto, 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 Edell Schaefer, Director of Parks, Recreation and Forestry John Kelliher, Parks and Forestry Superintendent Gary Majeskie, Deputy Finance Director Sarah Kitsembel and Finance Manager Mary Reeves

### 1. Roll Call

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

### 2. Announcements

The next regularly scheduled meeting is slated to be held on Tuesday, October 19, 2021.

A second Special Finance Committee meeting to review the proposed 2022 budget is scheduled for October 20, 2021 at 6:30 pm, in the Common Council Chambers, if necessary.

### 3. New Business

#### a) Mayor and staff presentation of 2022 Executive Budget.

Chairman Scott Berg confirmed with the Committee 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 16 meeting, including any motions for changes to the executive budget (unless a second meeting is determined to be necessary).

Mayor Ponto provided summary commentary from his 2022 executive budget message (full message can be found within the budget document located on the City website). He noted the following:

- Population growth over the past decade to 41,464 per the 2020 US Census, a 9.3% increase from 2010
- Impact of population growth and relationship to economic activity and tax base growth – Brookfield has the fourth highest equalized value in the state (behind only communities of significantly higher populations), which grew 6% from 2020 to 2021 to just under \$8.2 billion

- Net new construction growth of over \$158 million in 2020, the second highest total ever, allowing for increased budget flexibility via an allowable property tax levy change of 2.05%
- Examples of development activity in recent years include the improvements adjacent to Brookfield Square Mall, the Landmark Credit Union headquarters on Executive Drive, and new office buildings in the Golf Parkway Corporate Center in the Corridor development.
- The residential property market continues to exhibit strong energy, with several residential subdivisions planned or under construction, and sales of existing homes continuing to be strong. There are also other housing choices, such as the Ruby apartment development that is underway at the site of the former Toys R Us store, adjacent to the Brookfield Conference Center.
- Improved hotel taxes are being directed towards Brookfield Conference Center debt payments in the 2022 budget, which reduces the need for property tax support. Besides hotel taxes, other non-tax revenues (e.g., building permits, investment income) are not expected to show growth based on current trends. American Rescue Plan Act funding is being included in the 2022 budget to offset revenue losses and allow some of the more economically sensitive funding sources to recover in future years.
- During the pandemic and in the 2022 budget, the City's emphasis has been on maintaining citizen services, which has required creativity and flexibility by City staff. Examples of that flexibility include a transition in public safety department leadership with the retirement of both police and fire chiefs this past year. Their successors have taken that opportunity to make changes in organizational design and other processes. The 2022 budget also includes additional firefighting positions funded by the federal SAFER grant approved by the Council in October 2021.
- The 2022 budget also continues an ongoing emphasis to be good stewards of the community's assets, with additional funds directed towards maintaining City facilities and infrastructure, including operating budget funds for pavement maintenance and projects in the City's long-term capital improvement plan. Further, given expected budget pressures and state levy limits, the City will need to continue to take a longer-term view of its budget.

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). He noted that given the revenue challenges being faced by the City, there are no substantial expansion of programs nor additional staffing requests without identification of other funding sources or other means. Included in the 2022 budget is one additional full-time Parks and Recreation position funded by wireless carrier lease revenues, and the firefighter positions referred to by the Mayor.

Director Scott went on to describe other cost issues and initiatives considered as part of developing the 2022 budget, as follows:

- i. Salary budgets include the estimated impact of salary adjustments as per the budget parameters established by the Finance Committee. Exclusive of the salary impact of position changes and 2021/2022 election related costs, general fund salary budgets are increasing 3.5%, reflecting primarily changes in public safety salaries (union contract changes and a commensurate increase for sworn management), as well as adjustment to salary ranges for non-represented employees. The impact of ongoing turnover in staff, particularly for public safety departments, also affects salaries as the budgeted salaries for new employees include the effect of moving through steps per the salary ordinance or union contracts.
- ii. An area having a positive impact on the 2022 budget is a slight decrease in the City's contribution rates for Wisconsin Retirement System (WRS) employer contributions, as the Employee Trust Funds board reduced contribution rates for all employee classes.
- iii. The City has been working to manage the cost of employee health insurance for several years. The 2022 budget includes a 5% increase for premium equivalent charges to department budgets based on preliminary projections from the City's insurance consultant reflecting recent health claims experience, projection of health care cost trend, and the reserves built up in the City's health insurance fund. This also reflects a number of high cost claims (reimbursed through stop loss insurance). 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. Employee election of the high deductible option is now more than 10% of health plan participants.

- iv. Risk management charges for the general fund are increasing \$82,000 (12%), due mainly to higher costs for workers compensation coverage. Workers compensation continues to reflect a somewhat higher experience modification factor than experienced through 2019, due to higher claims years in 2018, 2019 and 2020.
- v. Energy (natural gas and electricity) budgets reflect an overall increase for the general fund budget of 1.2%, reflecting recent actual expenditures.
- vi. 2022 is a gubernatorial election year (total of four elections vs. two budgeted for 2021). As such, the 2022 Elections budget is increasing substantially (\$73,000), to reflect higher staffing and supply costs.
- vii. One area with modest expansion is in the Public Works pavement maintenance program (within the 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 prior budgets had nominal increases. The proposed 2022 budget adds another \$125,000 for various types of pavement maintenance to address the maintenance issues.
- viii. The contract for collection of garbage and recyclables is to expire at the end of 2021, and quotes were solicited from various vendors following indication from the incumbent vendor of a significant price increase. Such costs are increasing \$259,000 or 10% compared to the 2021 budget, with the up the drive collection service level being maintained as determined by the Common Council.
- ix. The Community Development budget includes funding for contractual services to perform a citywide citizen survey, which was last done in 2017, and which will allow the Common Council that is elected in April 2022 to have focused feedback in establishing the strategic direction for the City.
- x. Several non-recurring capital items are included in the 2022 budget, including HVAC replacement at City Hall and the Public Works Building, Police sidearm weapon replacement, Moorland Road emergency vehicle pre-emption and carpet replacement at the Public Safety Building (total of \$366,000).

Director Scott then touched on the long-term financial outlook, noting that application of the levy limits referenced by the Mayor into the City's financial forecasting model indicates a 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.

Director Scott indicated that 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 15 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 20 and 26 (if necessary), the Committee's recommended budget will be presented to the Council for adoption on November 16, preceded by the official public hearing.

Director Scott noted the proposed general fund expenditure budget change is 6.3% compared to the 2021 budget, which exceeds the expenditure parameter established by the Committee and the state ERP limit, due in large part to the inclusion of the grant funded firefighter positions and some of the cost factors noted above. Without the fire positions, as measured by a comparison of general fund spending, the general fund budget would have been within the final ERP limit of 4.2%.

Director Scott stated that the total City budget, including operations, utilities, debt payments and capital spending, is \$95.2 million, representing a 1% decrease in total City spending, mainly due to 2021 budgeted capital improvement costs for the Calhoun Road street improvement project. He went on to state that the proposed tax levy is decreasing 0.20%, resulting from new construction value growth; increase in debt service factor resulting from recent debt activity allowed under levy limit formula; and decrease in the

property tax subsidy for conference center debt service (\$1,070,000). The total City levy of \$41,935,000 is within the projected levy limit. The average homeowner would pay about \$12 less in taxes to fund City services for 2022, with the overall tax bill is projected to decrease \$7 for the average home, net of lottery and first dollar credits.

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 taxes budget is up \$47,000 compared to 2021. The increase in expected 2022 room tax collections has primarily been allocated to the Conference Center debt service fund. He noted that state shared revenues are flat and that the expenditure restraint program revenues are up 89% due to the increase in equalized tax rate from 2020 to 2021.

Director Scott further noted that state transportation aids are increasing 2%, or \$35,000 due to the State increasing the general transportation appropriation. The 2022 budget does not include funding for the Local Road Improvement Program, which is available every other year. FEMA aid included in the budget is the SAFER firefighter grant.

Director Scott went on to indicate that budgeted building permit revenues are being decreased compared to projected 2021 actual amounts due to lower anticipated development activity. The budget for aquatics revenue has been further increased based on additional changes in fee structures to reduce/eliminate the tax subsidy for pool operations. Finally, budgeted investment revenues are at status quo amounts given the expected continuance of a low interest rate environment.

Lastly, Director Scott pointed out that the proposed budget includes \$716,750 in applied surplus as a funding source, covering the \$350,000 contingency appropriation and the non-recurring capital costs previously noted.

Director Scott stated the capital budget (exclusive of the wastewater and water utilities) totals \$3.86 million, supported by \$2.56 million in general city borrowing. Other sources of funding include the Greenway Trail fund, Stormwater fund, and TID No. 8 for the Moorland Road sidewalk. He highlighted the section of the budget document that describes the capital budget with the most significant projects being the transportation improvements (\$1.45 million); stormwater and bridges (\$625,000); park improvements (\$625,000); and the Moorland Road sidewalk (\$800,000).

Director Scott noted that the wastewater and water utility budgets include typical funding for capital improvements (treatment plan upgrades and water main extensions), along with status quo operations. Both utilities are expected to have rate adjustments effective mid-year 2022. He then concluded his remarks with comments about non-major fund budgets, noting that the Parks development fund includes transfers out for Greenway Trail projects, equipment acquisition, and parks maintenance salary costs. Other transfers out include ARPA funds transferred to General Fund, and the Computer Replacement fund includes replacement of workstations throughout the City. Finally, he noted that the debt service fund shows a decrease in general debt service expenditures, as debt balances are trending lower, but that decrease is offset by a \$235,000 transfer to subsidize TID No. 4 bonds. Also included in the debt service budget is the conference center related debt service fund, which includes the lower tax levy subsidy, previously discussed. 2022 room tax collections budgeted in the conference center debt service fund would be used for 2023 conference center debt payments.

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.

The Committee recessed from 9:20 pm to 9:27 pm.

d) Recommendation on proposed 2022 budget to the Common Council.

***Motion by Aldermen Jerry Mellone, second by Alderman Mike Hallquist, to approve the 2022 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. No amendments were offered, and a vote was then taken on the motion on the floor, which carried 7-0. As a result, the tentatively scheduled October 20, 2021 meeting is not needed.***

4. Adjournment

***Motion by Alderman Mike Hallquist, second by Alderman Bob Reddin, to adjourn the meeting at 10:25 pm. Motion carried 7-0.***

Respectfully Submitted:

Robert Scott

Director of Finance and Administration