



MINUTES OF AN OFFICIAL MEETING:

Regular / Special Meeting: Finance Committee

Date and Time: Monday, October 19, 2020 at 6:30 pm

Location: Brookfield Public Library, 1900 N Calhoun Rd, Community Room

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, 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, Assistant Fire Chief David Mason, Police Chief Dan Tushaus, Assistant 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 will be held on Tuesday, November 17, 2020.

A second Special Finance Committee meeting to review the proposed 2021 budget is scheduled for October 27, 2020 at 6:30 pm, in the Library Community Room, if necessary.

3. New Business

- a) Mayor and staff presentation of 2021 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 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 17 meeting, including any motions for changes to the executive budget (unless a second meeting is determined to be necessary).

Mayor Ponto provided some summary comments regarding the 2021 executive budget, noting that it goes without saying that we are living in unprecedented times, and as the staff has previously discussed with the Committee, the City budget has been significantly affected by the challenges resulting from the COVID-19

pandemic and resultant economic upheaval. In the face of those challenges, the Mayor described the 2021 proposed budget truly as status quo, attempting to continue in nearly every respect to fund the services with the quality and quantity that our citizens expect without sacrificing the City's financial strength.

Mayor Ponto went on to state that maintaining the level of service is important as City services have been cited as an important factor in the City's ranking in various studies over the years as a great place to live and raise a family. The activities supported by the City government help ensure public safety and a high quality of life for our residents, as well as supporting a vibrant business community, and he further noted that the Brookfield City government remained open for business throughout the pandemic.

Mayor Ponto emphasized that the quality of City services supports desirable neighborhoods and valuable businesses. Those features have led to Brookfield's high tax base, which continues to be the third highest equalized value in the state (behind only Milwaukee and Madison), growing 2% from 2019 to 2020 to over \$7.7 billion in total. He stated that a large component of the property value growth is due to what the Wisconsin Department of Revenue refers to as "net new construction," or value of new construction during a calendar year less any demolition or destruction of buildings. Mayor Ponto referenced his column in the fall City newsletter that reported the Department of Revenue estimate of nearly \$180,000,000 in net new construction in 2019, an unprecedented number for Brookfield. In fact, in the last 20 years, net new construction ranged from a low of \$26,000,000 in 2010 to a previous high of \$125,000,000 in 2015. He noted that some of the construction activity in Brookfield has been obvious to everyone, such as the substantial improvements that opened in 2019 on the south end of Brookfield Square Mall, the Landmark Credit Union headquarters building on Executive Drive, and new office buildings in the Corridor development.

Mayor Ponto pointed out to the Committee that beyond the commercial development, Brookfield's residential property market continues to exhibit strong energy, supporting the neighborhoods that are Brookfield's core. Several residential subdivisions are planned or under construction, and sales of existing homes remain strong, with selling prices above taxable assessed values and asking prices.

The Mayor indicated that the new construction factor has provided some welcome news in developing the 2021 budget. The tax levy change of 2.39% allowed by the construction growth provides some flexibility to address the revenue challenges shared earlier this year with the Committee. He reminded the Committee that such challenges include a severe decline in hotel room tax collections; lower building permit revenues; and significantly lower investment income due to lower interest rates resulting from Federal Reserve actions to support the economy during the pandemic.

Mayor Ponto also emphasized that the pandemic related economic challenges have had significant effects on the Brookfield Conference Center. As the conference center is operated by the privately financed hotel partner located adjacent to the center, there is no impact on the City general fund budget. However, the shortfall in hotel room taxes do affect the 2021 budget, as the debt payments for the conference center capital costs are intended to be funded by hotel room taxes. The Mayor noted that the 70% drop in 2020 room taxes (when compared to budget) result in the need for property tax support for 2021 conference center debt service payments.

Mayor Ponto stated the City government is not immune from the economic challenges from the COVID-19 pandemic that affect in some ways all citizens and businesses. He stated that there might be additional difficult budgetary decisions to make as the pandemic continues, but his near-term emphasis is on maintaining citizen services. He noted, however, that a longer-term view of the City budget beyond the uncertainty of the pandemic and inevitable ebb and flows in economic cycles is also necessary, as the City's recent development trend likely will not continue at the same pace. Further, he reminded the Committee that state levy limits are likely to continue in their present form, which will present budget pressures to

maintain the status quo level of services. The Mayor also noted the ambiguity about future state budget actions resulting from the pandemic's economic effect. If state tax collections show a marked decline, sources of funding from the state (for example, shared revenues or transportation aids) could be squeezed, further pressuring the tax levy. He emphasized that the 2021 budget does include a use of fund balance totaling \$575,000 to fund operating costs, but that further application of general fund reserves for recurring expenses is not advisable, given unclear forecasts regarding state budget impacts, construction value growth, and other factors affecting the City budget.

Mayor Ponto concluded his remarks by noting two quality of life items for the 2021 budget. Those items include the carryover of activities to celebrate the 60th anniversary of the Brookfield Public Library (delayed from 2020 due to the pandemic), and the expected re-opening of the Wiberg Aquatic Center without any tax subsidy for direct operations, after being closed in 2020.

Director of Finance and Administration Scott was then asked to provide commentary regarding the proposed budget. He noted that given the revenue challenges being faced by the City, there are no substantial expansion of programs nor additional staffing requests included in the 2021 budget. The proposed budget does include a reduction of 2.35 full-time positions, primarily due to attrition, but at the present time, the City is not considering widespread position changes, furloughs, or other staffing changes due to the desire to maintain service levels as Mayor Ponto stated.

Director Scott went on to describe other cost issues and initiatives considered as part of developing the 2021 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 previously noted. Exclusive of the salary impact of position changes (cost reduction of \$150,000) and 2020/2021 election related costs, general fund salary budgets are increasing \$450,000 (1.9%), reflecting primarily changes in public safety salaries (union contract changes and a commensurate increase for sworn management). 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. Salary budgets also include an increase in budgeted overtime of \$125,000 (mostly for police).
- b) An area having a positive impact on the 2021 budget is essentially no increase in the City's contribution rates for Wisconsin Retirement System (WRS) employer contributions, as the Employee Trust Funds board did not change contribution rates for most employees. Future year contribution rates will depend on investment returns and benefit payments as the workforce ages and more employees in the WRS statewide begin to take benefit payments. Pension costs are up \$74,000.
- c) The City has been working to manage the cost of employee health insurance for several years. The 2021 budget includes a 2.5% increase for premium equivalent charges to department budgets based on preliminary projections from the City's insurance consultant reflecting moderate recent health claims experience, projection of health care cost trend, and the reserves built up in the City's health insurance fund. Despite a number of high cost claims (reimbursed through stop loss insurance), the actual experience for 2020 to date is running at approximately 97% of expected cost. 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. The increase in budgeted health insurance costs totals \$117,000.

- d) Risk management charges for the general fund are increasing \$52,000 (8.3%), 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 and 2019, and a reduction in the use of risk management fund balance to mitigate workers compensation costs. Risk management budget impact totals \$52,000.
- e) Energy (natural gas and electricity) budgets reflect forecasts using the WE Energies predictive model, with an overall decrease for the general fund budget of 1.4%, reflecting recent actual expenditures, with a nominal reduction of \$7,000 in energy budgets.
- f) 2020 was a Presidential election year (total of four elections vs. two budgeted for 2021). As such, the 2021 Elections budget is decreasing substantially (\$120,000), in part to the extraordinary costs incurred in 2020 to address COVID-19 pandemic related issues, most particularly the significant increase in casting of absentee (early) voting ballots.
- g) One area of the budget that is having 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 have had nominal increases. The proposed 2021 budget adds another \$83,000 for various types of pavement maintenance to address the maintenance issues.
- h) The Community Development budget reflects a reduction in one position following a staff retirement. The impact on development review and other planning activities will have to be monitored, and monies have been included in that budget for consulting services or intermittent staffing to address projects or other unanticipated issues.
- i) Other cost impacts include non-recurring capital items for the Police roll call room (\$34,000) and park improvements (\$25,000).

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. By 2024, that gap would be \$1.2 million, growing to \$2.0 million in 2025. The assumptions in the forecast model include conservative growth in costs (at the level of inflation or less), very little changes in operating programs, and no changes in state revenues from existing levels. He noted that changes in any of these assumptions could result in increased difficulty in balancing future budgets, and that the City will continue to be faced with identifying funding alternatives and creative methods of maintaining City services at existing levels, absent changes in state law or other dynamics.

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 could 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 2021 relative to the City's 2050 Comprehensive Plan.

Public Works (including utilities)

2021 initiatives for the Public Works divisions primarily relate to maintenance and upgrades to City infrastructure for projects being implemented over a number of years. The Wastewater utility will be completing the mandated phosphorus reduction project begun in 2020 at the treatment plant, and will initiate other treatment plant upgrades/replacements. No adjustment to wastewater rates is contemplated

for 2021. Future years may require analysis of a rate adjustment given the re-allocation of property tax levy to the general fund.

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. Radionuclide treatment and iron filter rehabilitation will occur at several well sites. No general rate adjustment will occur for the water utility, but the need for a simplified rate adjustment may be analyzed during 2021.

In addition, the program of water main extensions in various areas of the City in accordance with the adopted water main policy, concentrating in 2021 on the Hillsdale and Brook Springs subdivisions, Wilderness Way and Quail Hollow Drive. Funding is also sustained to replace water main in areas where main breaks have frequently occurred (for 2021, various streets in the Imperial Estates area).

Beyond the pavement maintenance program previously noted, the proposed CIP reflects a number of other public works infrastructure projects, many of which relate to the expansion of Calhoun Road between North Avenue and Capitol Drive to be constructed in 2021. Stormwater projects include replacement of a bridge on Corporate Drive and a storm sewer upgrade along Calhoun Road. Funding is included to install bike paths along Calhoun Road in conjunction with the road improvements.

Quality of Life

Parks, Recreation and Forestry budgeted capital expenditures include continued development of Greenway Corridor trail sections (Deer Creek area) and construction of pickle ball courts to meet expanded demand for that program. 2021 is also expected to see the acquisition of the Imperial Park site from the Elmbrook School District (presently leased). The Library budget reflects 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). 2021 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.

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 16 meeting after several briefings on COVID related budget matters. 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 27 (if necessary), the Committee's recommended budget will be presented to the Council for adoption on November 17, preceded by the official public hearing.

Director Scott noted the proposed general fund expenditure budget change is 1.59% compared to the 2020 budget, which is under the expenditure parameter established by the Committee of 2.3%, within the revised ERP limit of 2.8%, 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 \$151,000 for 2021), 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 the estimated ERP limit for the 2021 budget of 2.80%.

Director Scott stated that the total City budget, including operations, utilities, debt payments and capital spending, is \$94.9 million. The total budget represents a 5% decrease in total City spending, mainly due to 2020 capital improvement costs for the phosphorus reduction project (\$8 million). He went on to state that the proposed tax levy is increasing of 6.39%, resulting from new construction value growth; increase in debt service factor resulting from recent debt activity allowed under levy limit formula; and inclusion of subsidy for conference center debt service (\$1,370,000). The total City levy of \$42,020,000 is within the projected levy limit. The average homeowner would pay about \$119 more in taxes to fund City services for 2021, with the overall tax bill is projected to increase \$224 for 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 down \$1,000,000 compared to 2020 due to the falloff in collections noted by the Mayor. Expected 2021 room tax collections have been allocated between the general fund (\$689,000) and the Economic Development Fund (\$511,000, primarily for staff costs and Visit Brookfield tourism promotion contract). He noted that state shared revenues are flat and that the expenditure restraint program revenues are down 25% due to the decrease in equalized tax rate from 2019 to 2020. 2022 shared revenue amounts are unknown due to the uncertainty with state budget, but barring changes in appropriations, the expenditure restraint revenue should increase, due to the projected equalized tax rate increase for 2021.

Director Scott further noted that state transportation aids are decreasing 3%, or \$48,000 due to the State funding a lower percentage of eligible costs. The 2021 budget does include funding of \$100,000 for the Local Road Improvement Program, which is available every other year. The budget does include an increase in cable television state aid, but that increase is offset by a reduction in cable franchise fee revenue, as the franchise fee rate is required to be lowered commensurately. Finally, the 2021 budget reflects elimination of the Waukesha County recycling rebate resulting from the collapse in markets for the sale of recyclables.

Director Scott went on to indicate that budgeted building permit revenues are being decreased due to lower anticipated development activity, and that the budget for municipal court fines has also been lowered based on 2020 projected revenues. On a positive note, the budget for aquatics revenue has been increased based on changes in fee structure to reduce/eliminate the tax subsidy for pool operations. The final revenue impact highlighted by Director Scott was the decline in budgeted investment revenues as noted by the Mayor during his remarks, from \$1,000,000 to \$100,000.

Lastly, Director Scott pointed out that the proposed budget includes \$575,000 in applied surplus as a funding source, covering the \$350,000 contingency appropriation; the non-recurring capital costs previously noted; and additional amounts based on history of general fund surpluses and the extraordinary loss of non-tax revenues.

Director Scott stated the capital budget (exclusive of the wastewater and water utilities) totals \$5.98 million, supported by \$4.3 million in general city borrowing. Other sources of funding include the Park Development Fund, 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 (\$2.9 million); storm sewers (\$1,055,000); and park improvements plus acquisition of the Imperial Park site from the Elmbrook School District.

Director Scott then concluded his remarks with comments about non-major fund budgets, noting that the Employee Retirement fund includes expected terminal sick leave payouts, consistent with the policy change reviewed with the Committee earlier this year. The Economic Development fund reflects lower room tax collections and modification to the Visit Brookfield contract. Finally, the Parks development fund includes transfers out for Greenway Trail projects and Imperial Park acquisition. With respect to other non-major funds, Director Scott indicated that the vehicle replacement fund anticipates two highway patrol trucks and

a tandem patrol truck (transferring old vehicle to water utility); and replacement of 7 police vehicles vs. 8 in 2020. Finally, he noted that the debt service fund shows a decrease in debt service expenditures, as debt balances are trending lower, but also includes a \$145,000 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 tax levy subsidy previously discussed (no room tax allocation is proposed for 2021).

b) Review of department operating and capital budgets.

c) 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.

d) Recommendation on proposed 2021 budget to the Common Council.

Motion by Aldermen Bob Reddin, seconded by Alderman Mike Hallquist, to approve the 2021 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.

Alderman Jerry Mellone moved to amend the 2021 budget to add funding for a capital project to add restroom facilities at the Dousman Stagecoach Inn historical site, with the project amount to be determined. Motion was seconded by Alderman Scott Berg. Following discussion and questions from the Committee regarding the nature of the project, Alderman Jerry Mellone withdrew his motion with Alderman Scott Berg's concurrence.

Alderman Mike Hallquist moved to amend the 2021 budget to add \$40,000 in funding to the Highway division budget to fund conversion of streetlights leased from WE Energies to LED fixtures, as recommended by the Board of Public Works. The source of funds for the expenditures would be from general fund balance. The motion was seconded by Alderman Kathryn Wilson and carried 7-0.

Alderman Jerry Mellone moved to amend the 2021 budget to reduce the Library budget for acquisition of materials by \$150,000. Motion died for lack of a second.

A vote was then taken on the main motion as amended, and the motion carried 7-0. As a result, the tentatively scheduled October 27, 2020 meeting is not needed.

4. Adjournment

Motion by Alderman Bob Reddin, second by Alderman Mike Jurken to adjourn the meeting at 8:20 pm. Motion carried 7-0.

Respectfully Submitted:

Robert Scott

Director of Finance and Administration