

CITY OF FRANKLIN
COMMITTEE OF THE WHOLE MEETING*
FRANKLIN CITY HALL – COMMON COUNCIL CHAMBERS
9229 WEST LOOMIS ROAD, FRANKLIN, WISCONSIN
AGENDA

TUESDAY, OCTOBER 17, 2017 AT 6:00 P.M.

1. Call to Order and Roll Call.
2. Proposed 2018 Budget.
3. Adjournment.

*Supporting documentation and details of these agenda items are available at City Hall during normal business hours.

[Note: Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through appropriate aids and services. For additional information, contact the City Clerk's office at (414) 425-7500.]

<p style="text-align: center;">APPROVAL</p> 	<p style="text-align: center;">REQUEST FOR COUNCIL ACTION</p>	<p style="text-align: center;">MEETING DATE</p> <p style="text-align: center;">10/17/2017</p>
<p style="text-align: center;">REPORTS & RECOMMENDATIONS</p>	<p style="text-align: center;">Proposed 2018 Budget</p>	<p style="text-align: center;">ITEM NUMBER</p>

At the last Committee of the Whole meeting, the Aldermen completed review of the 2018 budget that would be sent to the public hearing on November 14th. At the same time, the Council directed that the item be placed on the agenda for a special Committee of the Whole meeting immediately prior to its regular meeting of October 17th for additional deliberation. Any item within the budget is open for deliberation. At least two items should be discussed.

1) In particular, the Common Council requested information as to what amendments could be made that would reduce the total Property Tax Levy collected for municipal purposes by \$200,000. The attached sheet, titled "Potential Adjustments to the Proposed 2018 Budget: Considered for the Purpose of Reducing Property Taxes," provides a prioritized list of such adjustments. More adjustment alternatives were provided than requested so that the Aldermen could put the options into perspective and consider their own priorities. Strategies incorporating revenue enhancements, expenditure reductions, and use of fund balance were all considered. Additionally, some updates and corrections were suggested to help ensure any final actions remain consistent with known outcomes. Specifically, an update to the General Transportation Aids provided by the State after the last meeting provided significant assistance.

Adjustments reducing property taxes by \$204,598 were listed which was the net result of \$106,826 in net revenue increases, \$56,592 in net expenditure reductions, and use of \$41,180 of fund balance for one-time expenditures. Additional potential net adjustments of \$154,670 were also identified. **Items 1 through 3, which would reduce property taxes by \$96,351, are recommended for approval.** The remaining items on the list are recommended only if a smaller property tax increase is of higher priority to the Aldermen than the potential negative service delivery and fund balance impacts of these additional cuts.

2) The Finance Director identified a need to provide an additional appropriation within the Debt Service Fund needed as a result of Resolution No 2017-7299 which was approved by the Common Council September 19, 2017. The item relates to a 2018 payment of interest on authorized borrowing. **There is no impact on the 2018 levy with this item.** Please see the attached memo and documentation.

Process: The Committee of the Whole has already completed certain actions and motions necessary to send a Proposed 2018 Budget to the public hearing on November 14, 2017. The numbers as prepared for the public hearing cannot be directly altered at this time. **The Committee of the Whole, however, may still make additional recommended changes that it can submit to the full Common Council for its consideration following the Council's budget hearing.** Any such motions made on the 2018 budget between now and the public hearing would be incorporated by staff into the budget ordinance that is in the packet and on the agenda for the adoption of the budget on November 14, 2017. Additionally, such subsequent motions would be reported on at the public hearing as additional recommended actions.

COUNCIL ACTION REQUESTED

Relative to budget development, motions on the proposed 2018 Budget may be made at the Committee of the Whole. As such, a proposed motion is recommended for each of the two items above:

- 1) Motion to further amend the proposed 2018 Budget to incorporate items 1, 2, and 3 on the table titled "Potential Adjustments to the Proposed 2018 Budget: Considered for the Purpose of Reducing Property Taxes," along with the corresponding reduction in property taxes of \$96,351. [The item number listing and property tax adjustment total can be changed as determined by the Common Council.]
- 2) Motion to further amend the proposed 2018 Budget to incorporate additional appropriations of \$110,000 for debt service payments into the Debt Service Fund, which action has no 2018 property tax levy impact.

**Potential Adjustments to the Proposed 2018 Budget:
Considered for the Purpose of Reducing Property Taxes**

	Revenue Adjustment	Expenditure Adjustment	Impact on Property Taxes	Running Total
1. State Aids: Adjust to reflect updated reporting from state				
a. General Transportation Aids (less \$2,400 historic reporting adjustment)	147,638		-147,638	-147,638
b. Shared Revenue	15,934		-15,934	-163,572
c. Expenditure Restraint Program (Net impact of State Aid Adjustments = \$106,826 in added Revenue)	-56,746		56,746	-106,826
2. Correct Health Department Sanitarian status	tbd	tbd	16,500	-90,326
<p>It is necessary to reconcile Health Department revenues and expenditures for Sanitarian Services. The Health Director had requested and the Mayor had intended to fund an increase of 1 day per week in Sanitarian Services, from 3 days to 4 days per week. The Mayor had intended to recommend this due to it being fully funded by increased Health Department revenues for the services. The Recommended budget retained the revenues but did not retain the expense for the added day of service.</p> <p>Further review shows department revenues at the current level adequately cover the full Sanitarian costs; therefore, revenue increases that could be construed as profit cannot be allowed. Either the expense for the added day needs to be reinstated or the additional revenue needs to be removed. Either action equals an adjustment of \$16,500. Since other cuts in this document will impact the ability to achieve the Anticipated Underexpenditures, it becomes necessary to correct this matter prior to these other actions.</p>				
			(Recommended)	
3. Eliminate Engineering Tech II to III reclassification			-6,025	-96,351
4. Economic Development studies and consultants	*		-25,000	-121,351
<p>Fund the 2018 increase to the 2017 base ongoing-funding (\$25,000) with a portion of the anticipated unspent fund balance commitment from 2017, which was budgeted at \$65,000.</p>				
5. Eliminate COPS funding			-56,567	-177,918
<p>Difficult to justify expanding operations with the challenges to funding existing operations, particularly given the requirement to increase funding percentages the following two years and fully funding in year four. Could fund from fund balance in year one and then terminate/eliminate if referendum is not approved.</p>				
6. Building Maintenance Plan	*		-16,180	-194,098
<p>Fund the second year phase of the 3-year Building Maintenance Plan from fund balance and delay implementation of a fully-funded Building Maintenance Plan.</p>				
7. In lieu of increasing the "Anticipated Underexpenditure" or other line-item-by-line-item cuts, reduce the following for a total of \$10,500:	*			
a. Administration: Other Professional Services (#5219)	*		-5,000	-199,098
b. Police: Auto Maintenance (#5241)	*		-1,500	-200,598
c. Police: Uniforms (#5326)	*		-1,500	-202,098
d. Economic Development: Conferences and School (#5425) (which also allows for travel for marketing)	*		-2,500	-204,598
<p>The Director of Administration, Police Chief, and Economic Development Director can then manage the impact of the reduction across all of their accounts.</p>				
8. Eliminate two Lead Dispatcher reclassifications			-13,100	-217,698
9. Building permit revenue increase	*	7,500	-7,500	-225,198
10. Discontinue Dive Team initiation effort			-4,000	-229,198
11. Engineering Professional Services: Eliminate the increase	*		-6,000	-235,198
12. Reduce anticipated non-rep 7/1/18 wage adjustment to 1.75% equivalent			-17,500	-252,698
13. Freeze Police Officer vacancy	up to		-96,370	-349,068
<p>This repeats the same action that was taken in the past when layoffs and frozen positions were implemented. This was the last position to become refunded, so it would be reasonable to consider it as a position to be re-defunded. Partial defunding, resulting in delayed hiring, could be considered. In other words, any part of the \$96,370 could be included.</p>				
14. Reduce Street Improvement Fund levy to .51% instead of 1.4%		-6,200	-6,200	-355,268
<p>The Street Improvement Fund is already underfunded from a mid-term perspective.</p>				
15. Eliminate proposed vehicle allowance for the Assistant Fire Chief			-4,000	-359,268

* Yearend expenditures are more variable and are more likely to impact the ability to achieve Anticipated Underexpenditure.

MEMORANDUM

DATE: Oct 11, 2017
TO: Mark Lubberda, Budget Director
FROM: Paul Rotzenberg, Director of Finance & Treasurer *pr*
RE: Debt Service on portion of Anticipation Notes

On Sept 19, 2017 the Common Council agreed to resolution 2017-7299 authorizing the sale of Anticipation Notes not to exceed \$42,750,000.

A \$3,550,000 portion of the offering is intended to finance a water main along W Loomis Road near W Ryan Road (which will be considered at a later date), and was not included in the proposed budget anywhere. It will initially become part of the debt service fund until such time as alternate provisions become available.

Anticipating a maximum interest cost for the Anticipation Notes of 3%, debt service in 2018 will total no more than \$110,000. An additional appropriation in the Debt Service fund for this \$110,000 should be provided. Funding for this cost is available from fund balance in the Debt Service fund.

I respectfully request that the Debt Service fund be adjusted to add \$110,000 of debt service costs for 2018.

RESOLUTION NO. 2017-7299

RESOLUTION PROVIDING FOR THE SALE OF APPROXIMATELY
\$42,750,000 NOTE ANTICIPATION NOTES

WHEREAS, the City of Franklin, Milwaukee County, Wisconsin (the "City") is presently in need of approximately \$42,750,000 for public purposes, including City capital improvement projects and acquisitions, water main extensions, and project costs of tax incremental districts within the City; and

WHEREAS, it is desirable to borrow said funds through the issuance of note anticipation notes pursuant to Section 67.12(1)(b), Wisconsin Statutes; and

WHEREAS, the note anticipation notes shall be sold in one or more series of taxable note anticipation notes ("Taxable Notes") and tax-exempt note anticipation notes ("Tax-Exempt Notes").

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City that:

Section 1. The Notes. The City shall issue its Taxable Notes and Tax-Exempt Notes in an aggregate principal amount of approximately \$42,750,000 (collectively, the "Notes") for the purposes above specified.

Section 2. Sale of Notes. The Common Council hereby authorizes and directs that the Notes be offered for public sale. At a subsequent meeting, the Common Council shall consider such bids for the Notes as may have been received and take action thereon.

Section 3. Notices of Sale. The City Clerk (in consultation with the City's financial advisor, Ehlers & Associates, Inc. ("Ehlers")) be and hereby is directed to cause notices of the sale of the Notes to be disseminated in such manner and at such times as the City Clerk may determine and to cause copies of complete Notices of Sale and other pertinent data to be forwarded to interested bidders as the City Clerk may determine.

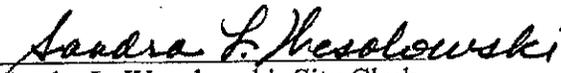
Section 4. Official Statement. The City Clerk shall cause an Official Statement concerning the Notes to be prepared by Ehlers. The appropriate City officials shall determine when the Official Statement is final for purposes of Securities and Exchange Commission Rule 15c2-12 and shall certify said Statement, such certification to constitute full authorization of such Statement under this resolution.

Adopted, approved and recorded September 19, 2017.



Stephen R. Olson, Mayor

ATTEST:


Sandra L. Wesolowski, City Clerk

AYES 6 NOES 0 ABSENT 0

<p>APPROVAL <i>slw</i></p>	<p>REQUEST FOR COUNCIL ACTION</p>	<p>MEETING DATE Sept 19, 2017</p>
<p>REPORTS & RECOMMENDATIONS</p>	<p>Resolution Providing for the Sale of Approximately \$42,750,000 Note Anticipation Notes for TID 3 Developer Incentive, TID 4 Sanitary Sewer infrastructure, TID5 Project Costs and Capital Improvement Fund projects</p>	<p>ITEM NUMBER <i>G.2.</i></p>

Background

The 2017 Budget anticipated a debt offering to finance projects in the Capital Improvement Fund. The 2017 Budget also included a debt offering in TID5 for infrastructure projects associated with Ball Park Commons.

Analysis

Projects in the 2017 Capital Improvement plan have progressed slower than was contemplated by the 2017 Budget. As the 2018 Budget is getting developed, there are projects in TID3 for a developers incentive on a S 27th Street project, a sanitary sewer infrastructure project along S 27th Street in TID4, the water, sanitary sewer, storm sewer, street, recreational trail and methane mitigation projects in TID5 (Ball Park Commons), and a water main along W Loomis Road near W Ryan Road.

The 2018 Capital Improvement plan has various City projects that will also demand resources from debt obligations.

Attached are the details for two Anticipation Notes, one taxable and one tax exempt to finance the above projects.

If the City chose to sell notes for each project as they mature, the costs of selling the debt would be considerably higher than accumulating the project costs into the two proposed issues noted on the attached. Since the issue would be Anticipation Notes, they can be refinanced in the future with Refunding Notes or repaid if the projects do not precipitate. Should the final 2018 Budget remove one or more of the project, staff will remove those costs from the contemplated sale.

Should one or more of the projects mature prior to the offering, the Anticipation Notes can be converted to General Obligation Notes, saving issuance costs later when the Anticipation Note issue is refunded.

The sale is scheduled post adoption of the 2018 budget but in time to close prior to December 31, 2018. This will preserve options the Common Council has available in adopting the tax levy in the 2018 Budget.

Fiscal Note

While the direction of interest rates can rarely be projected in the short term, the risks to the City on this issue are in two areas:

- 1) The resources are never needed for the contemplated project, and thus issuance costs and interest costs are incurred that would not otherwise have been needed, and
- 2) Interest rates rise in the future, raising the cost of the debt issue by missing the opportunity for locking in current interest rates, which are generally believed to be lower than future longer term rates.

A budget amendment will be required to provide for the appropriations for the issuance costs anticipated here. The issues will be allocated to TID3, 4 & 5, as well as the Capital Improvement Fund as the projects are outlined on the attached.

Recommendation

The Finance Committee reviewed the issuance plan at its August 22, 2017 meeting and recommended an authorizing resolution to the Common Council. The recommendation was for an amount not to exceed \$36 million. Since that meeting, new information on Ball Park Commons has caused the amount to increase to \$42.75 million. Staff recommends adoption of the Resolution(s).

The closing of the sale would be on or before December 31, 2017.

COUNCIL ACTION REQUESTED

Motion to Approve a Resolution providing for the sale of approximately \$42,750,000 Note Anticipation Notes for TID 3 Developer Incentive, TID 4 Sanitary Sewer infrastructure, TID 5 Project Costs and Capital Improvement Fund projects