

CITY OF DELAFIELD FINANCE ADVISORY BOARD COMMITTEE MINUTES

CALL MEETING TO ORDER

Chairperson L. Kuklinski called the meeting to order at 7:04 p.m.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

ROLL CALL

Present

Absent

Linda Kuklinski, Alderperson
Brian Faracy
John Gehlhaart
Don Gottschalk
Steve O'Brien
Mike Schelbe

Also Present

Marilyn Czubkowski, Clerk
Marie Williams, Accountant
Matt Carlson, Administer
Paul Craig, Mayor
Jocelyn Bubolz, Library Director
Mike Roberts, Alderperson

1. CITIZEN'S COMMENTS ON ITEMS PERTAINING TO THIS AGENDA.

There were no comments.

2. APPROVE MINUTES OF JUNE 1, 2004; JULY 26, 2004; AND OCTOBER 11, 2004.

M. SCHELBE MOTIONED TO APPROVE THE MINUTES FROM THE JUNE 1, 2004 MEETING AS PRESENTED. S. O'BRIEN SECONDED THE MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED.

M. SCHELBE MOTIONED TO APPROVE THE MINUTES FROM THE JULY 26, 2004 MEETING AS PRESENTED. S. O'BRIEN SECONDED THE MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED.

B. FARACY MOTIONED TO APPROVE THE MINUTES FROM THE OCTOBER 11, 2004 MEETING AS PRESENTED. S. O'BRIEN SECONDED THE

CITY OF DELAFIELD FINANCE ADVISORY BOARD COMMITTEE MINUTES

MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED.

3. NEW BUSINESS

a. 2005 BUDGET REVIEW

1. Format of budget – L. Kuklinski stated that she was happy to see the improvements that are being made every year. However, she did think that it would be easier to read the budget if all of the departments used the same format. She recommended that next year that the Park & Recreation and Library follow the same format.

B. FARACY MOTIONED TO RECOMMEND TO THE COMMON COUNCIL THAT THE FORMAT THAT IS FOUND IN THE 2005 PROPOSED BUDGET BE ADOPTED BY ALL DEPARTMENTS AND FOLLOWED CONSISTENTLY FORWARD. J. GEHLHAART SECONDED THE MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED.

2. Wages/compensations – summarization – This year the wages/compensation summarization was included in the budget by department. L. Kuklinski recommended that a summary of the summaries on total staff be included next year. D. Gottschalk stated that he received a document with the consolidated budget for expenditures, general fund. This was very helpful to him and if this could be included in the budget packet next year it would be very helpful. M. Williams stated that software would be available to do this next year. Thanks were given to M. Williams on an excellent job.

D. GOTTSCHALK MOTIONED THAT IN NEXT YEAR'S 2006 PROPOSED BUDGET THAT THE SUMMARY TWO-PAGE CONSOLIDATED BUDGET EXPENDITURES FOR THE GENERAL FUND BY CLASS NUMBER BE INCLUDED. S. O'BRIEN SECONDED THE MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED.

3. Healthcare – initiative proposed and passed by Common Council – L. Kuklinski stated that “FSA” are premium contributions paid by employees on a pre-tax basis. This is an advantage to the employee and the employer. This has been carried through for the entire year. The Common Council just passed a HRA (health reimbursement arrangement). This is structured to put the employee participants into a high deductible plan, newly available through the State this year. It reduces the premium amount substantially without getting into issues from unions and without having the employees take the burden of the high deductible. The HRA is funded by the employer

CITY OF DELAFIELD FINANCE ADVISORY BOARD COMMITTEE MINUTES

and the employer pays the high deductible. Diversified Benefits is the company that will be used. A study showed that in a worst case scenario, if the high deductible (\$500/\$1000) was paid on every member, coupled with the premium reduction, the minimum amount saved by the City would be approximately \$11,000. There is a potential for the City to save up to \$40,000. M. Carlson continues to participate in the Consortium and the Waukesha County Alliance Group. In order to get out of state health insurance plan, notification needed would have needed to be given by October 1, 2004. The Consortium did not have rate quotes ready until after the state's date required notification date. On October 14th pricing information from the Consortium was received. The result if the City would have participated with the Consortium would have been a 30.89% increase in rates. The plan that the City is on now is better. B. Faracy discussed the health savings accounts (HSA). L. Kuklinski stated that a HSA must be commingled with a high deductible plan. The City could not put themselves in a position where it could force the employees to take a high deductible plan. A HRA, from a benefit plan perspective, and the way plans are structured now, has a \$0 deductible. With a HSA it is entirely on the participant and in order to be effective, there must be a lot of education. She thought that this would be a giant leap. B. Faracy thought that it was the future in healthcare. J. Gehlhaart asked M. Carlson why it took the Consortium so long to provide a quote. M. Carlson thought it took a while for the participating municipalities to get the data to the group putting together the pricing. The entire group is looking at postponing the Consortium because the rates that were presented were so much higher. He stated that the Group would continue looking at options. L. Kuklinski stated that union negotiations made changes to allow the City to do this as long as the coverage for the employees was the same. D. Gottschalk commented that benefits increased by \$186,000 (line item 130 and 135). M. Carlson stated that there was an increase in monthly health insurance premiums and that more employees were taking the family plan. The other benefits part included an increase in pension contributions from the City to the State. D. Gottschalk suggested setting a timetable 12 months from now to review reducing the cost. L. Kuklinski stated that the initiatives are being followed through and are being addressed. In this past year there were two initiatives that took place that reduced the cost by at least \$30,000. She stated that it is a continuing process that requires the Finance Advisory Board's (FAB) attention. The City has adopted the attitude to continually look at healthcare. J. Gehlhaart stated that if you carve out health benefits, the City should be ahead of the curve. He thought that the Consortium was one way of doing this. D. Gottschalk addressed the end of the union contract (end of 2005). M. Carlson stated that meetings to educate the union on the costs of benefits and the HRA

CITY OF DELAFIELD FINANCE ADVISORY BOARD COMMITTEE MINUTES

program are taking place. D. Gottschalk stated that he would like to see a quarterly report on how progress is being made on the 2006 budget. L. Kuklinski stated that a quarterly progress report would be available at each meeting and that savings would be aggressively be pursued. M. Schelbe stated that there is a need to educate people that it is not just salary increase, but salary and benefits combined. L. Kuklinski stated that with negotiations you can do that and work with it, but you must do it in small steps. If you can't work through the balance, it will go to arbitration. It is necessary to negotiate a reasonable contract in order for it to be accepted. The initiatives need to be worked in small steps. As a board, the FAB will continue to make recommendations on what they would like to do. M. Carlson stated that the pay classification and compensation study was just completed and looked at pay and benefits. The City's benefits are in order and in some cases salaries were too low and needed to be adjusted, and in other cases the salaries were in line. The Council adopted the PAR Study because it looked at the whole compensation package, not just salary. The City has two unions: one for Public Works and one for the Police Department. L. Kuklinski stated that the only way to integrate changes is in small tokens. Arbitration of contracts was discussed. It was the board's recommendation to have the City to continue to be as aggressive as possible.

4. The 25-year apparatus replacement schedule showing the purchase of a pumper/tanker to replace two trucks at a cost of \$205,000.00 was discussed. This is the fund balance and is right out of the levy. This is to advance fund capital equipment and is a policy change. If value is found in this type of policy change, this could be done for all capital replacement. The library levy is the minimum levy amount to maintain funding from the County. M. Carlson stated that through the surveying process, it was found that not all services were valued as much as others. Thus, not all services went up or down the same amount. It is necessary to focus on the high priority areas. Discussion took place on page two of six in the letter of transmittal. The 18% increase in the general fund was mostly street improvement which is now being considered an annual ongoing expense and should not be borrowed for. Elimination of the financing cost is thus eliminated. L. Kuklinski stated that the function of this board is to look at things from a fiscal standpoint, not necessarily from a political standpoint. The FAB needs to make comment from a fiscal standpoint and substantiate that recommendation. B. Faracy stated that if the City is saving the cost of funds, it was a good move. If you had to borrow the money, you would be adding to the cost. J. Gehlhaart asked if a cost analysis could be done for dropping the levy or putting street improvements into the levy. D. Gottschalk asked when you look at the following items, how they affect the bond rating: increase in the contingency fund, street paving, and \$205,000 on

CITY OF DELAFIELD FINANCE ADVISORY BOARD COMMITTEE MINUTES

page 111 – which has the most dramatic effect on bond rating? M. Carlson suggested that if you are financing for street improvement now, and you put it into operating expenses, Moody would see this in a favorable light. This year's general fund balance will end at 22% of the General Fund expenditures. He thought that Moody would feel that if the City is avoiding debt and this is a huge statement. L. Kuklinski stated that the operational expense is going to have much more to do than the \$205,000 because that is an unidentified ongoing. The State revenue cap and the effect it may have was discussed. M. Carlson stated that bond analysts look at the power and authority and the state revenue cap concerns him. It would hurt communities that have been extremely prudent, like Delafield. M. Schelbe thought that just doing the paving would be a happy medium instead of paving and setting aside money for the Fire Department. M. Carlson stated that the street paving could be approached in a multi-year approach. D. Gottschalk agreed that it would make sense to do a catch-up each year. There is nothing in the budget to increase the fund balance.

D. GOTTSCHALK MOTIONED TO SPREAD THE ACCOUNTING CHANGE INTO THE GENERAL LEVY OF \$319,000 (STREET PAVING OPERATIONS) OVER THREE YEARS, BOND FOR THE REST, WITH STAFF TO PRESENT THE COMMON COUNCIL WITH A COST BENEFIT ANALYSIS DETERMINING THE BEST METHOD, MATURITY OF THE BOND, AND HOW THIS WOULD AFFECT THE CITY'S BOND RATING. B. FARACY SECONDED THE MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED.

\$205,000 Fund Balance – This can be broken up into designated and undesignated fund balance. The undesignated fund balance is what Moody is interested in. The \$205,000 would show up as designated for capital equipment replacement and would be drawn down in the year in which the expenses appear. Moody will also want to know the total Fund Balance. The 2005 year would start with a balance of \$375,000. Discussion took place on the affect this would have on the taxpayer.

The obligations, “mandates” or policy changes to the budget were reviewed. This year the Police Department budget would go into operational expense – everything they have now would be in the operational budget. A review of some of the accounts listed in the Consolidated Budget Expenditures – General Fund as of 8/31/04 took place.

CITY OF DELAFIELD FINANCE ADVISORY BOARD COMMITTEE MINUTES

Recommendation on the contingency – one is related to nonunion salary adjustments and the other is for setting aside monies to take opportunities to fund matching grants.

S. O'BRIEN MOTIONED TO REMOVE THE \$50,000 CONTINGENCY FOR THE POTENTIAL MATCHING FUNDING CONTINGENCY. D. GOTTSCHALK SECONDED THE MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED.

Fund balance of \$205,000 – M. Carlson stated that it was difficult to express a new policy on advance funding while at the same time provide a reduction in the library levy. M. Schelbe stated that overall, the library was up 50% over the last four years, it has increased 12% a year on average, although it does take a downward turn this year. D. Gottschalk stated that this is another accounting change. The question is when you look at the two changes, over what period do you want to spread the burden? Thinking of taxpayers, he did not think you could do this in one year. M. Schelbe stated that something should always be done for the general fund balance until 25% of the fund balance is reached. D. Gottschalk agreed. L. Kuklinski stated that you must be conscious of the figures, but care needed to be given to not get too political when reviewing the budget. The board did not think the whole \$205,000 could be absorbed. D. Gottschalk suggested contributing a token amount like last year. B. Faracy thought that there was a need to show consistency.

B. FARACY MOTIONED THAT IN ORDER TO SHOW CONSISTENCY IN THE INCREASE OF THE FUND BALANCE, THE BOARD RECOMMENDS A CONTRIBUTION TO THE FUND BALANCE OF THE GREATER OF \$25,000 OR WHATEVER NECESSARY TO REACH A 23% FUND BALANCE IN ORDER TO CONTINUE WORKING TOWARDS THE GOAL OF A 25% FUND BALANCE. M. SCHELBE SECONDED. DISCUSSION TOOK PLACE ON THE DOLLAR AMOUNT IN THE MOTION. B. FARACY AMENDED HIS MOTION TO CONTRIBUTE WHATEVER FUNDS NECESSARY TO KEEP THE FUND BALANCE NO LOWER THAN 22% OF THE ACTUAL 2005 GENERAL FUND BUDGET EXPENDITURES. M. SCHELBE ACCEPTED THE AMENDMENT. ALL WERE IN FAVOR. MOTION CARRIED.

Library levy – B. Faracy was concerned that since this was a political issue, if the number was politically generated. M. Czubkowski stated that the budget figure reflected the minimum amount that the City can contribute and is the average over the last three years. D. Gottschalk stated that the library budget increased over 64% over the last four years. L. Kuklinski stated that functionally the intent of the

CITY OF DELAFIELD FINANCE ADVISORY BOARD COMMITTEE MINUTES

averaging over a three year period would not be to decrease the library services, but by doing this, it would. D. Gottschalk stated that the committee may not wish to pursue this and that it was beyond the FAB's mandate. The rest of the committee agreed. Jocelyn stated going back to 1998, only minimal increases were given. If the library was set at the right level operate for the community, then the increases would not be so high each year – the number is an artificial figure because they are always playing catch up. The intention is to get the figure up to an appropriate level and then ask for reasonable increases.

Capital improvements and 5 year equipment plan – Discussion took place as to why there is a \$3.5 million figure for a new library building included. M. Carlson stated that when the budget was put together the idea of a consolidated building had not come up. The funding source for the \$3.5 should have stated the amount from the general fund/bond/note/fundraising funds. Since there are no percentages under the source, it is unclear as to how much would be from the general fund. D. Gottschalk stated that next year changes should be made to break out amounts between “debt” and “other” to see how much is proposed to be added to the City's debt – another column would need to be added. Total general fund debt for 2005 is \$1,139,320, however, this number will change due to the street resurfacing change.

L. Kuklinski stated that as a board looking at capital improvement programs, comments should not be made on specific items, but on the format it is in and appropriate thresholds of bonding for particular years to keep things on a smooth basis.

Capital Improvement and Five Year Equipment Plan

B. FARACY MOTIONED THAT THE FAB FELT THAT THERE ARE OBVIOUS THINGS THAT NEED TO BE MAINTAINED AND MONITORED BY THE COMMON COUNCIL AND THAT AS A BOARD REACHING THAT OPERATIONALLY CLARITY IS A BIGGER PRIORITY THAN THESE PLANS AND SHOULD REMAIN CONSISTENT AND SHOULD BE MONITORED AND SCHEDULED ON AN ANNUAL BASIS, SPECIFICALLY THE CAPITAL IMPROVEMENT PROGRAM AND THE FIVE YEAR EQUIPMENT PLAN. S. O'BRIEN SECONDED THE MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED.

4. CORRESPONDENCE

CITY OF DELAFIELD FINANCE ADVISORY BOARD COMMITTEE MINUTES

Article entitled "Small Towns, Big Ideas" in the magazine American City & County

5. ADJOURNMENT

B. FARACY MOTIONED TO ADJOURN FROM THE MEETING. J. GEHLHAART SECONDED THE MOTION. THERE WAS NO FURTHER DISCUSSION. ALL WERE IN FAVOR. MOTION CARRIED. THE MEETING ADJOURNED AT 10:13 P.M.

Respectfully submitted:

Minutes Prepared By:

Marilyn Czubkowski, CMC
City Clerk/Treasurer

Accurate Business Communications LLC