

FINANCE COMMITTEE MINUTES  
October 26, 2011  
City Hall – Council Chambers

Chairperson Scott McMeans called the meeting to order at 6:00 PM

Present: Alderpersons, Scott McMeans, Christopher T. Able, Alex Olson and Collin Braunel.

Absent: Matt Kadow

Also Present: Mayor Justin Nickels, Schenck S.C. Auditor Tom Karman, Baird Financial Advisor Brad Viegut, Acting Finance Director/Treasurer Tony Scherer, Alderpersons James Brey, and Dave Soeldner, City Planner David Less, Fire Chief Bill Manis, City Clerk and Deputy Treasurer Jennifer Hudon, City Attorney Juliana Ruenzel, Director of Building Inspection/Facilities Manager Jim Muenzenmeyer, Director of Public Works/Parks & Recreation and City Engineer Valerie Mellon, Assistant City Attorney Kathleen McDaniel, DPW Operations Manager Randy Junk, Assistant DPW Operations Manager Chad Scheinoha, Director of the Rahr-West Museum Greg Vadney, DPW Business Manager Mike Huck, Recreation and Senior Center Manager Denise Larson , various city employees, members of the public and print media.

**Discussion and Possible Action on 2012 City Budget**

The Committee continued the process of examining the 2012 Executive Budget proposal. Alderman Scott McMeans began by having Director of Public Works/Parks & Recreation and City Engineer Valerie Mellon present her request for a change to the Mayor's 2012 Recommended Budget. Ms. Mellon's request was to maintain the position of Assistant DPW Operations Manager and allow a Street Laborer position to remain unfilled. The Director's reason for the change was to maintain the department's succession plan and provide for greater supervision. In turn she is confident this will generate better productivity from the remaining DPW personnel.

The Director then responded positively to the Committee member's concerns regarding department efficiency and the suggestion to use the Assistant DPW Operations Manager as a "working foreman".

Motion by Alderperson Olson, second by Alderperson Able to approve the recommended budget change as outlined in the email document. Motion passed unanimously.

**Discussion & Possible Action on 2010 Comprehensive Annual Financial Report**

Alderman Scott McMeans introduced Tom Karman of Schenck S.C. to present the 2010 Comprehensive Annual Financial Report (CAFR). Mr. Karman began with the Financial Report covering the Auditors Report and the cash reconciliation control deficiency.

Mr. Karman then proceeded through the Management Communication document discussing the standard cover letter, annual representation letter and current to prior year fund balances. He explained that the general fund balance was being reserved due to deficit fund balances in the capital project and TIF areas. In years past there were enough positive balances in these funds to adequately cover any negative balances. The economy and other interest factors adversely affected the balances in the TIF districts. Deficit balances in the streets and sewer funds were due to transfers out of those funds to the general fund.

Alderman McMeans asked if there were any signs in previous years that these problems were coming. Karman pointed out that there were a number of factors over the years that got the City to this point: a decrease in investment income, the use of Wastewater funds, the stormwater utility expenses in the budget with no revenue stream to support them and the transfers that continued from the capital funds.

He went on to explain how the City came to balance the 2010 Budget and pointed out to the Committee that there are no longer any excess fund balances as used in the past to balance the expenditures. He did mention that there were a few areas where funds could be used but not without a plan for repayment.

Alderman McMeans then switched the conversation to the TIF Districts. The City's Bond Advisor, Brad Viegut, from Robert W. Baird began to explain the City's plan for the TIF areas. He started by saying that the City is planning several refundings to accomplish a couple of goals. One: refinancing for savings, exchanging higher interest rates for lower rates; the other restructuring the debt payments in TIF 12 & 16 to provide some budgetary relief in 2012.

Mr. Viegut explained that this is a multi-faceted plan to address the advances from the general fund to the TIF Districts to cover TIF revenue shortfalls. The first part of the plan is the refunding/restructuring explained previously. The second phase of the plan is to amend the TIF project plans to extend the life of the troubled districts. This is a much longer term solution that will not help the 2013 or 2014 budgets but will, over time, fully recover all of the dollars advanced to the TIFs. The third phase will begin in 2013 and 2014 to again look at available refundings for that year's payments and possibly push those payments out.

The City's Financial Advisor then discussed the rating calls with Moody's. He mentioned that Moody's had concerns regarding the City's fund balance, the stress on TIF Districts and budget shortfalls. He expected Moody's to either downgrade the City from a Aa2 rating to a Aa3 or A1. At the very least he anticipates a negative outlook. Moody's was pleased to hear that the City has started work on a plan to mend some of these fiscal problems.

Alderman McMeans asked if the plan would then add some value back into the undesignated reserves. Baird's response was that the TIF balances would be positive in 2012, but it will be a few years out before they would show real strength. Tom Karman explained that as the deficit cash balances go down in the TIFs there would be a dollar for dollar reduction to the fund balance reserves.

Alderson Olson asked how interest rates would be affected by a downgrade from Moody's. Mr. Viegut explained that each rating step was equal to approximately 25 basis points, but that it was a moving target and would be set by the market.

Tom Karman then finished his report on the 2010 CAFR by stating that the balance in the Health Insurance fund was in good shape. He also mentioned that wastewater should be fine with the rate adjustments for the loss of Anheuser Busch revenues.

Karman again summarized how the City got to the position it is in through the combination of economic factors, charging of interest to TIF, transfers from capital, a low tax rate, no stormwater revenue source and the devaluation of property.

Motion by Alderperson Olson, second by Alderperson Braunel to approve the 2010 CAFR as reported by Schenck S.C. Motion passed unanimously.

Alderperson McMeans summarized the discussions of the meeting and asked for Alderperson Able to hold a Committee of the Whole meeting on Thursday, November 3<sup>rd</sup> in place of the Finance Committee Meeting scheduled for that day. The Committee continued to discuss the undesignated reserve, the refinancing of the TIFs and the affect on reserves and the need to know where the 2011 budget stands financially.

Motion by Alderperson Able and second by Alderperson Braunel to adjourn the meeting. Motion carried unanimously.

Chairperson McMeans declared the meeting adjourned at 7:07 PM.

Alderperson Scott McMeans  
Chairperson  
Finance Committee

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By: Anthony J. Scherer  
Interim Finance Director

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