



October 2, 2009

Mr. Philip C. Evenson  
Special Projects Advisor  
Southeastern Wisconsin Regional Planning Commission  
P.O. Box 1607  
Waukesha, WI 53187-1607

RE: Revised Proposal for Services Related to Consolidation of the City and Village of Pewaukee

Dear Mr. Evenson:

At its August 19, 2009 meeting, the Pewaukee Merger Advisory Committee requested a proposal from the consulting team of Ruckert/Mielke and the Boardman Law Firm for additional services related to the potential consolidation of the City and Village.

A preliminary proposal, without costs, was prepared and discussed by the Committee at its September 23, 2009 meeting. Certain modifications to the approach were discussed and it was requested that a cost for these services be provided. This proposal reflects these changes and includes a cost for services.

As we understand it, these services would consist of two major components. The first is the preparation of a definitive consolidation plan and agreement or ordinance that could be brought to the City Council and the Village Board for their approval. Approval of the agreement or ordinance by both governing bodies would result in a consolidation referendum election in both communities. Therefore, the second component would be a public education program to disseminate timely, accurate and relevant to residents in order to help them make an informed choice.

To date, the Committee's and consultants' efforts have involved quantifying the tangible benefits of consolidation and testing the feasibility of various alternatives for ensuring that those benefits are distributed fairly between City and Village property owners and residents. Several potential alternatives for achieving a fair distribution have been identified. Now a detailed plan must be developed for the use of one or more of those alternatives, alone or in combination with others.

In addition, a plan must be developed for the structure and governance of the new municipality, a timeline to achieve consolidation, interim governance and responsibilities during the transition period, and post-consolidation tasks and estimated one-time transition costs. In order to implement the consolidation plan, an agreement or ordinance must be drafted for adoption by the City and Village.



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The attached documents describe our proposed approach and services related to these efforts. Our proposed team includes Ruekert/Mielke and the Boardman Law Firm, as well as Zeppos & Associates to assist with the public education effort.

Consistent with the 2006 Memorandum of Understanding between the Village and the City, our work will be guided by the following principles: 1) Unless it can be shown that tax levies plus special assessments create an approximately equal burden for taxpayers in both communities, some form of equalization payment or adjustment period will most likely be needed; 2) the preparation and dissemination of information must demonstrate in a convincing and unbiased manner the tangible benefits for residents in both communities; and 3) to the extent that information compiled in the past can be useful in future proceedings, such information shall be updated and used to the greatest extent possible.

We look forward to continuing to work with you and the City and Village of Pewaukee on this extremely important effort!

Very truly yours,

MUNICIPAL ECONOMICS & PLANNING  
*A Division of Ruekert/Mielke*

Christine A. Cramer, M.U.P.  
Senior Economic Consultant

CAC:lfc

Attachments

cc: William J. Mielke, P.E., R.L.S., Ruekert/Mielke  
Proposal File  
File

## **Proposal to Prepare a Consolidation Plan and Agreement Scope of Services**

This scope of services covers the preparation of the plans, information and agreements that we believe are necessary to allow the governing bodies of the City and Village of Pewaukee to proceed with a consolidation referendum and for the electors in the City and Village to make an informed choice. Consistent with the 2006 Memorandum of Understanding between the Village and the City, our work will be guided by the following principles: 1) Unless it can be shown that tax levies plus special assessments create an approximately equal burden for taxpayers in both communities, some form of equalization payment or adjustment period will most likely be needed; 2) the preparation and dissemination of information must demonstrate in a convincing and unbiased manner the tangible benefits for residents in both communities; and 3) to the extent that information compiled in the past can be useful in future proceedings, such information shall be updated and used to the greatest extent possible.

The consolidation plan and agreement will cover the overall structure of the new municipality, a defined plan for the amount and structure of any consolidation payments that may be needed to equitably distribute the financial benefits of consolidation, and the procedure and timeline for the referendum and the post-consolidation transition. It is presumed that issues such as a review of labor contracts, bond covenants or existing solid waste collection contracts, comparison of each community's brush collection policies or similar issues, if requested, would be investigated by the individual communities' staff, legal counsel, bond counsel or auditors. Such reviews may be desirable for information purposes but are not inherently required in order to proceed with consolidation. In addition, such questions may be more efficiently addressed by those more familiar with the day-to-day operations and existing contracts of the City and Village government. This proposal also does not include the preparation of any items such as the code of ordinances and policies, the determination of the staffing, or the adoption of a post-consolidation budget for the new entity, which can only be accomplished by the new governing body. Therefore, if the consolidation is approved by a referendum election in both municipalities, significant additional work will be required to transition to a consolidated municipality. The plan and agreement prepared under the scope of this proposal will include a list of post-consolidation tasks and estimated one-time transition costs.

This proposal assumes that any consolidation plan and agreement for the City and Village of Pewaukee would include some form of consolidation payment from the Village to the consolidated municipality for the purpose of achieving a better distribution of the benefits of consolidation. The Consolidation Tax Rate Feasibility Analysis prepared in the spring of 2009 proposed several methods for accomplishing this goal. The Merger Advisory Committee has followed up on two of these options: legislation to allow the creation of a consolidation tax district and the potential use of sewer and water utility reserves. It is not yet known whether the proposed legislation will be enacted. In addition, while the Feasibility Analysis recommended the use of consolidation payments in order to achieve a better distribution of property tax savings from consolidation, and evaluated potential sources of funds for such payments, it did not prepare a definitive plan for consolidation payments, in terms of the specific amounts or formula for such payments, the recommended term of the payments, or the recommended source(s) of funds. Therefore, this work is included in this proposal.

Our proposal further assumes that the consulting team will work with the Merger Advisory Committee or another negotiation team or committee comprised of representatives appointed by the City and Village (although the composition of such a group has not yet been decided, for purposes of this proposal it will be referred to as the Merger Advisory Committee). As such we will not represent either the City or the Village individually, but rather our goal will be to craft a plan and agreement that is acceptable to both parties in the proposed consolidation. Our role in this process will be to provide analysis and professional advice to the committee or negotiation team regarding the potential alternatives. It is assumed that the Southeastern Wisconsin Regional Planning Commission will facilitate the negotiation meetings and assist the City and Village in reaching agreement. The City and Village may also each retain legal counsel or other consultants to represent them individually and to review the proposed plans and documents.

This scope of services includes three major components: 1) Analysis and negotiation assistance for the proposed consolidation payments; 2) Assistance with the preparation of a consolidation plan; and 3) Preparation of documents for implementing the consolidation plan. The attached schedule shows a preliminary timeline for accomplishing these tasks. The tasks for each component are described below:

1. Analysis and Negotiation Assistance for Proposed Consolidation Payments

It is understood that while the consolidation payments should be based on an underlying methodology and rationale, the payments will ultimately be negotiated by the City and Village. Several alternative approaches for distributing the benefits of consolidation more equally have been examined, but a specific plan for combining these approaches and setting the amount of the consolidation payments has not yet been developed. The City and Village could use one of these approaches or a combination of approaches, provided consolidation legislation is obtained. The amount of the payments could be a fixed amount per year or they could be determined by a formula. The amount of the payments could be set based on differences in property tax savings or could also take into account savings in utility user charges. The goal of this task is to develop a rational approach that may be used as the basis for negotiating the terms of the consolidation payments.

Task 1a: Update the estimated consolidated General Fund budget based on the proposed 2010 budgets for the City and the Village. Consolidation would likely not take effect until the beginning of 2011 at the earliest and therefore any consolidated budget prepared at this time is a projected or hypothetical budget. However, the proposed consolidated budgets used for previous analysis were based on 2009 budgets, and changes in the economy over the course of the past year have had a significant impact on local government revenues. Therefore, for purposes of projecting the savings from consolidation and determining the appropriate amounts of or formula for consolidation payments, it is important to have the most up-to-date budget figures for the City and Village. It is proposed that this task be conducted by the City and Village Administrators utilizing the same approach that was used to prepare the proposed 2009 Merged Budget, with review and comment from SEWRPC and Ruckert/Mielke staff.

Task 1b: Prepare a Consolidation Payment Study, setting forth specific recommendations regarding the amounts per year, or a formula to be used to determine the amounts, the duration of the proposed payments, and the proposed source(s) of funding for the payments. It is proposed that this task be completed by Ruckert/Mielke staff with review and comment by the Boardman Law Firm, City and Village staff and SEWRPC. This study would include:

- i. Using the individual municipalities' 2010 budgets and the estimated 2010 consolidated budget prepared by the City and Village Administrators as the basis, forecast future revenues, expenditures, special assessment collections, tax levy and tax rates for a period of 15 years for the separate municipalities and the consolidated municipality.
- ii. Estimate the benefits, in the form of property tax and utility service charge savings, to be received by the taxpayers and ratepayers of each municipality, assuming no consolidation payment.
- iii. Develop one or more proposed methods or formulas for determining a consolidation payment that would achieve an equitable distribution of benefits to the property owners and residents in each municipality.
- iv. Prepare a proposed plan for the amount of funds to use from each of the alternative sources that have been proposed—consolidation tax district, utility reserves, etc.
- v. Prepare a forecast of the benefits, in the form of property tax and utility service charge savings, to be received by the property owners and residents of each municipality assuming a consolidation payment, for each of the proposed plans.
- vi. Prepare a draft report summarizing the analysis. This report will include a written executive summary of the analysis and the supporting spreadsheets and tables, including the Consolidated Budget prepared by the City and Village Administrators.

Task 1c: Review the draft report and analysis with the Merger Advisory Committee. The purpose of this review will be for the Merger Advisory Committee to have their questions answered and provide feedback regarding the analysis. This scope of services includes 1 meeting with the Committee for this purpose.

Task 1d: Provide additional support and analysis as needed during the negotiation of the terms of the consolidation payment. It is anticipated that the City and Village will require additional meetings of the Committee to negotiate the terms of the consolidation payments. The Committee may request the preparation of additional alternatives or the inclusion of other factors in the analysis during the course of that process. Ruckert/Mielke would prepare the needed analysis, with review and comment by the Boardman Law Firm, City and Village staff and SEWRPC. This Scope of Services assumes two additional Committee meetings to discuss the payments, along with the consolidation ordinance.

## 2. Preparation of a Consolidation Plan

For this task, it is assumed that the information compiled and the draft consolidation ordinance contained in the 2002 Consolidation Study will be used to the extent possible. The 2002 Study prepared detailed plans for consolidation, including the recommended governance, a map of recommended aldermanic districts, proposed boards, committees and commissions, a detailed timeline for consolidation, and a detailed transition plan including the powers and duties of various bodies during the transition period. While that plan did not anticipate the use of consolidation payments or a consolidation district, it may still provide a useful starting point for the development of the current plan. For example, that plan included a detailed timeline for consolidation with an April 2002 referendum and completion of the transition to the new entity no later than December 31, 2002. Review of that timeline may determine that it would be feasible to propose an April 2010 referendum with complete transition to the new entity by December 31, 2010. Our Scope of Services assumes that this task will be conducted simultaneously with the negotiation of the consolidation payments.

Task 2a: Attend up to two one-day intensive working sessions of the Merger Advisory Committee to review the consolidation plan, timeline and ordinance in the 2002 Consolidation Study and determine points of agreement and disagreement and any recommended changes to that plan based on current conditions. The Boardman Law Firm and Ruckert/Mielke would attend these sessions and provide professional advice and supporting analysis for this process as needed, along with City and Village staff. Such support could include such items as preparation of exhibits showing proposed aldermanic districts, providing information regarding the requirements and options for the composition of municipal boards, committees and commissions, or preparation of a detailed consolidation timeline that incorporates statutory requirements and the Committee's objectives. The plan will include the following general components:

- i. Major terms of consolidation
- ii. Time schedule for each of the steps necessary to effectuate consolidation and transition to the new entity
- iii. Proposed format and structure of a successor municipality
- iv. Interim governance requirements and responsibilities

Task 2b: Work with the City and Village Administrators to prepare a list of issues to be addressed and post-consolidation tasks for the governing body of the new entity. This list will be used by the City and Village Administrators to develop an estimate of one-time transition costs to accomplish those activities.

## 3. Preparation of Implementation Documents

Task 3a: Prepare a Consolidation Benefits Assessment, which would include the following:

- i. Each municipality's estimated tax rate and utility rates without consolidation.
- ii. A fiscal estimate of the cost of and savings which may be realized from consolidation.
- iii. An estimate of the proposed tax rate and utility rates of the consolidated municipality without any consolidation payment.
- iv. A comparison of the property tax rates and utility rates for taxpayers and ratepayers with and without consolidation assuming no consolidation payment.
- v. An estimate of the benefits, in the form of property tax and utility service charge savings, to be received by taxpayers and ratepayers of each of the municipalities, assuming no consolidation payment.
- vi. An estimate of the benefits, in the form of lower property taxes and utility rates, to be received by property owners and residents of each of the municipalities, taking into consideration the proposed consolidation payments.

Task 3b: Draft a Consolidation Agreement/Ordinance for Review and Consideration by both Governing Bodies, which would specify, at a minimum:

- i. Name of the consolidated entity
- ii. Form of government of the consolidated entity
- iii. Effective date of consolidation
- iv. Date of first election of elected officials and officers of new consolidated entity
- v. Procedures for the first election
- vi. Method of electing members of the council or board by districts, at-large or by a combination of methods
- vii. Creation and selection of all officer positions, boards, and commissions
- viii. Terms of office for all officers, boards, and commissions
- ix. Powers and duties of all officers, boards, and commissions
- x. Continuation of the consolidating municipalities prior to the effective date of the consolidation, and limitations on powers

- xi. Management of transition activities prior to the effective date of consolidation
- xii. Applicability and enforcement of ordinances in the consolidated municipality
- xiii. A fiscal estimate of the cost of and savings which may be realized from consolidation
- xiv. Process for adopting the first budget and tax levy for the consolidated municipality
- xv. Date of referendum election
- xvi. If a consolidation payment is required, all terms related to the amount, collection, and payment of the consolidation payment.
- xvii. If a consolidation district is to be established to pay the consolidation payment, all terms related to the establishment and termination of the district, and the distribution of the district's obligations, costs and benefits to properties within the district.

Task 3c: Draft a resolution to be passed by the City Council and Village Board to adopt/approve the Consolidation Ordinance/Agreement.

Task 3d: Draft the language of the referendum question for the consolidation.

Task 3e: Review the draft resolution, referendum question and Agreement/Ordinance with the Merger Advisory Committee and revise as needed.

Task 3f: Attend one meeting each of the City Council and Village Board to present and explain the proposed Consolidation Plan and Agreement/Ordinance, along with the resolution and referendum question.

### Cost

Our estimated cost to provide the services described above according to the attached preliminary project schedule are as follows:

Ruekert & Mielke	\$55,000
(Prepare and revise the Consolidation Payments Plan and Consolidation Benefits Assessment, analysis in support of negotiations relative to the consolidation payments, assist with drafting and reviewing the Consolidation Ordinance, attend two-day working meeting of the Merger Advisory Committee, attend up to seven evening meetings of the Committee, Village Board or City Council.)	

Boardman Law Firm	\$43,000
(Prepare and revise Consolidation Ordinance, legal research and analysis required for Ordinance (40 hours estimated), attend two-day working meeting of the Merger Advisory Committee, attend up to four evening meetings of the Committee, Village Board or City Council, review and consult on Consolidation Payments Plan and Consolidation Benefits Assessment, assist with ordinance adoption process.)	
Total	\$98,000

**Proposal to Provide Public Education and Information  
in Preparation for a Consolidation Referendum  
Scope of Services**

The attached draft scope and initial budget projection detail a series of ten tasks that would make up the foundation of the proposed public education effort. Zeppos & Associates, Inc., working with Ruckert/Mielke, the Boardman Law Firm, and the Merger Advisory Committee, will assist with these activities to help ensure that the residents of both the City and Village of Pewaukee receive timely, accurate and relevant information so that they can make their own decisions. Of course, none of this effort would be advocacy for or against the referendum, but would be strictly limited to providing factual, accurate and basic information that will be important to residents of both the Village and the City. Only under these circumstances can voters make an informed choice.

As the technology, structure and nature of the media have changed, so, too, have the tools used to conduct an appropriate public education effort. The use of social media, the Internet and e-based communications are critical in such efforts, and it is important that they be fully integrated into adaptations used with mainstream media and direct citizen outreach. Doing so helps ensure that the public has the opportunity to receive timely, balanced and fact-based information so that citizens have the information they need on this very important matter.

This scope of services also includes an initial, projected budget for the recommended activities, and it should be noted that these projections do not reflect the input from anyone from the Merger Advisory Committee or either locality. Ideally, a budget and program, as noted in Task #1, would be the first and most important activity undertaken. Without an approved public education plan, any budgeting or assumed activities leave out the input and views of the key leaders involved in this effort. We believe it would be necessary and appropriate to have the input of the Committee and others before finalizing any public education effort and budget, and the tasks and budget outlined here should be considered subject to significant revision based on the input of the client. This projection is only meant as a starting point to begin discussion about what type of public education effort is ultimately approved.

Furthermore, the initial scope and projection do not include any recognition of what other resources might be available and what other budget costs might be necessary. For example, if there are, in fact, going to be newsletters mailed by the normal postal service to all residents, printing and postage would need to be considered. Depending on the chosen location for the public informational meetings, there may be facility rental charges. Additionally, there may be public education resources available through SEWRPC or the two municipalities that could be used as part of the effort.

Considering these and other factors, including the wide-ranging debate that is taking place at both the City of Pewaukee Common Council and the Village of Pewaukee Board, it is our hope that this suggested approach and initial budget projection be considered tentative and subject to revision. It is critical that the Merger Advisory Committee and others provide input and feedback on what they'd like to see in an overall public education effort.

The proposed tasks for a public education effort include the following, with primary responsibility for each task as indicated:

1. Assist Merger Advisory Committee in developing an overall public education plan that includes help on preparing key messages, a timetable for action and an initial budget. (Zeppos & Associates)
2. Prepare suggested written and e-based communications materials. These likely will include, but not be limited to: resident newsletters, fact sheets, Q & A handouts, news statements, blog postings, PowerPoint presentations, Web copy and other documents as needed. The factual content for such materials will be prepared by the Boardman Law Firm, Ruckert/Mielke, City and Village staff or SEWRPC, depending on the subject matter, and will be reviewed and revised by Zeppos & Associates.
3. Assist as requested with media relations. (Zeppos & Associates)
4. Help organize, arrange and coordinate two public meetings on the consolidation and the referendum. The Boardman Law Firm and Ruckert/Mielke will assist with providing content for the meetings as well as attending the meetings and presenting information. Zeppos & Associates will help with organizing, arranging and coordinating the meetings.
5. Assist in responding to citizen questions, help provide factually accurate information and develop corrections for inaccurate statements. Factual information would be provided by City and Village staff, Ruckert/Mielke, the Boardman Law Firm and SEWRPC depending on the subject matter. Zeppos & Associates would assist with reviewing and revising any written responses prepared by the consultant and staff team.
6. Advise on developing a community-wide residential and e-mail database to provide for ongoing, prompt and efficient distribution of factual information. (Zeppos & Associates)
7. Provide suggested referendum adaptations to existing Web site. (Zeppos & Associates)
8. Monitor social media, Internet coverage and mainstream media and recommend possible action steps as required. (Zeppos & Associates)

#### Cost

Our estimated cost to provide the services described above according to the attached preliminary project schedule are as follows:

Zeppos & Associates	\$38,000
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(As described above)

Ruckert & Mielke	\$ 8,000
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(Prepare materials for and attend two public informational meetings, assist with developing content for other informational materials)

Boardman Law Firm \$ 5,000

(Prepare for and attend two public informational meetings, assist with reviewing other informational materials)

Total \$51,000

**Preliminary Schedule  
Consolidation Plan and Agreement Development and Public Education  
City and Village of Pewaukee**

