

DRAFT Consolidation Plan Overview

Presented to:
The City and Village of Pewaukee
January 20, 2010

Goal

Help make government more efficient and lower the tax and utility rate burden for citizens in **both** communities

2006 Memorandum of Understanding

- ▶ City and Village agreed to further discussion of the possible merger
- ▶ Purpose was to find ways to better share the savings of consolidation so that both Village and City property owners would realize savings

2008 Interim Report

- Mayor, Village President, City and Village Administrators developed a proposed Merged General Fund Budget based on the 2008 City and Village budgets
 - Looked at General operating costs only, not Utilities
- Findings:
 - Overall cost savings would result from consolidation
 - Village property owners would financially benefit more than City property owners unless a means could be found to lower the tax rate for City area property owners within a consolidated municipality

City and Village Formed the Merger Advisory Committee

- ▶ Executive Director of SEWRPC – Nonvoting Chair
- ▶ City Members—Mayor, Alderperson, 2 Citizen Members, City Administrator (nonvoting)
- ▶ Village Members—Village President, Village Trustee, 2 Citizen Members, Village Administrator (nonvoting)

City and Village Authorized Retaining Consultants

- Ruekert/Mielke
- Boardman Law Firm
- Have assisted the Committee with evaluating:
 - The potential benefits of consolidation
 - Options for improving the distribution of benefits
 - The likely impacts on tax rates and utility rates

Merger Advisory Committee Work to Date

- Initial Feasibility Analysis
- Consolidation Tax District Legislation
- Water Utility Consolidation Study
- Sanitary Sewer Utility Consolidation Study
- Utility Consolidation Financial Analysis
- Preparation of DRAFT Consolidation Plan

Initial Feasibility Study – March 2009

➤ Goals:

- Develop an approach to keep the property tax rate for City-area property owners at or slightly lower than it's current level, rather than increasing due to consolidation
- Improve the distribution of the benefits of consolidation

➤ Based on Merged Budget prepared by Administrators (updated to 2009)

Consolidation Tax Rate Feasibility Analysis - Recommendations

1. Seek legislation to allow the creation of a special taxing district for consolidation
2. Conduct a study of future utility capital projects for City and Village utilities to determine: i) future cost avoidance; ii) the amount of Village utility reserves that could be used
3. Prepare a plan for a street utility district
4. If legislation is unsuccessful, use the street utility district and Village sewer/water utility reserves

Utility Consolidation Studies – August 2009

- ▶ Water Utility Consolidation Study –
future capital cost savings
- ▶ Sewer Utility Consolidation Study –
general benefits of consolidation
- ▶ Utility Consolidation Financial Analysis
 - Determine how much of Village utility reserves could be transferred
 - Estimate the impacts of utility consolidation on future user charge rates

Consolidation Plan

October 2009 - Present

- ▶ Three Components
 - Consolidation ordinance
 - Consolidation “playbook”
 - Consolidation benefits sharing plan

Consolidation Plan

October 2009 - Present

Purpose of the Consolidation Ordinance

- Establishes the terms of the consolidation (including the terms of any benefits sharing plan)
- Sets a referendum in both communities
- Makes consolidation effective if the referendum passes in both communities

Consolidation Plan

October 2009 - Present

- ▶ Drafting of the Consolidation Ordinance
 - Merger Advisory Committee provided direction during a day-long working session on 10/29/09

Consolidation Plan

October 2009 - Present

Proposed Consolidation Ordinance

- Provides that the newly-elected Council will make decisions regarding staffing and the structure of committees, boards and commissions
- Retains existing staff, committees and boards until the new Council elects to make changes
- Provides for an interim council, interim board of review, and an interim clerk
- Sets the dates for the referendum, the effective date of consolidation and election of the new Council

Consolidation Plan

October 2009 - Present

Consolidation “Playbook”

- Document the recommendations of the Merger Advisory Committee for the structure of the new City
- Identify and prioritize transition tasks

Consolidation Plan

October 2009 - Present

- Consolidation Benefits Sharing Plan
 - Update the Merged Budget with 2010 City and Village budgets
 - Analyze a specific plan for achieving a better distribution of the benefits
 - Amount of funds needed to achieve a better distribution
 - Sources of funds
 - Uses of funds
 - Estimate the impacts on taxpayers and utility ratepayers

DRAFT Consolidation Benefits Sharing Plan

Key Conclusions

- 1. Consolidation of the City and Village of Pewaukee is expected to yield significant efficiencies and savings in the cost to provide local government services to the taxpayers and utility ratepayers of the combined municipality.**

Key Conclusions

2. A conservative estimate of the savings in annual operating costs for general government services, based on the 2010 budgets of the City and Village, identified savings of a minimum of \$331,000 per year.

- Assumes in-house staffing of all functions except City Attorney, City Planner
- Assumes higher of the two wage/benefit packages between City and Village
- Did not estimate savings on vehicles, equipment

2010 General Fund Budget: Expenses Net of Other Revenues

City of Pewaukee ⁽¹⁾	\$7,550,766
Village of Pewaukee ⁽²⁾	\$4,436,838
Total City and Village	\$11,987,604
Consolidated Budget ⁽³⁾	\$11,656,114
Annual Savings	\$331,490

1) Source: City of Pewaukee 2010 Adopted Budget

2) Source: Village of Pewaukee 2010 Adopted Budget

3) Source: 2010 Consolidated Budget prepared by City and Village Administrators

More details shown on Table 6 of the Consolidation Payment Plan

Potential Additional Savings

- The merged budget not only assumes the Village's benefits package, but also assumes a higher percentage of employees taking the family medical plan than is currently the case. If the ratio of benefits costs to wages was similar to the Village's current ratio, costs for the consolidated City could be \$400,000 - \$500,000 less than projected.

Key Conclusions

3. The consolidation of the City and Village water utilities is expected to result in future capital cost savings of approximately \$8.3 million.

- Utility Consolidation Financial Analysis also estimated \$59,000 per year in O&M savings

Source: City and Village of Pewaukee Water Utility Consolidation Study, August 2009, Ruekert/Mielke; Utility Consolidation Financial Analysis, August 2009, Ruekert/Mielke.

Water Utility Major Capital Costs through 2025

	Capital Costs
City of Pewaukee Water Utility ⁽¹⁾⁽²⁾	\$11,098,500
Village of Pewaukee Water Utility ⁽¹⁾	\$810,000
Total	\$11,908,500
Consolidated Water Utility ⁽¹⁾⁽³⁾	\$3,594,500
Savings	\$8,314,000

1) Source: City and Village of Pewaukee Water Utility Consolidation Study, August 2009, Ruekert/Mielke.

2) Includes \$2,000,000 for a new elevated storage tank instead of repainting the City Hall tank.

3) Includes \$1,502,000 for four water mains to interconnect the City and Village water systems.

Key Conclusions

4. The consolidation of the City and Village sewer utilities is expected to yield modest savings

- Operation and maintenance costs (\$31,000 per year)

Source: City and Village of Pewaukee Sanitary Sewer Utility Consolidation Study, August 2009, Ruckert/Mielke; Utility Consolidation Financial Analysis, August 2009, Ruckert/Mielke.

Key Conclusions

5. Compared to the current City of Pewaukee, the Village would contribute significantly *lower* net assets per \$1,000 of equalized property value to the *General Fund* of a consolidated City.

- An estimated \$3.4 million would be needed to equalize the difference

Source: DRAFT Consolidation Payment Plan, Table 1

Key Conclusions

6. Compared to the City's Water and Sewer Utilities, the Village Water and Sewer Utilities would contribute significantly *more* reserves to the consolidated *utilities*.

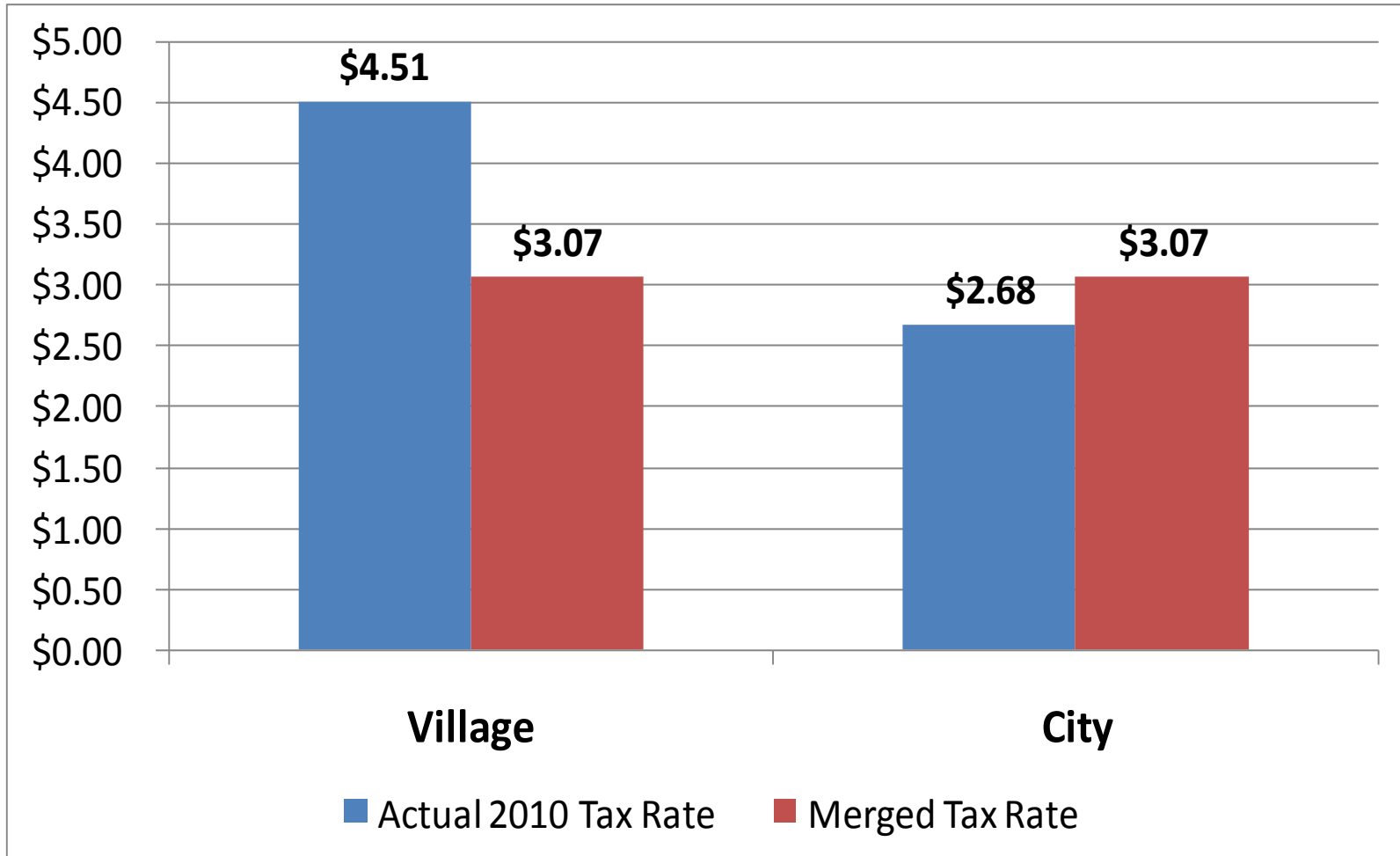
- Village utilities have approximately \$5.5 million more in reserves compared to City utilities

Source: DRAFT Consolidation Payment Plan, Table 2

Key Conclusions

- 7. If consolidation were pursued *without* implementing any benefits sharing plan, the benefits of consolidation would be distributed very unevenly**

Estimated Tax Rate Impacts — *Without the Analyzed Plan*



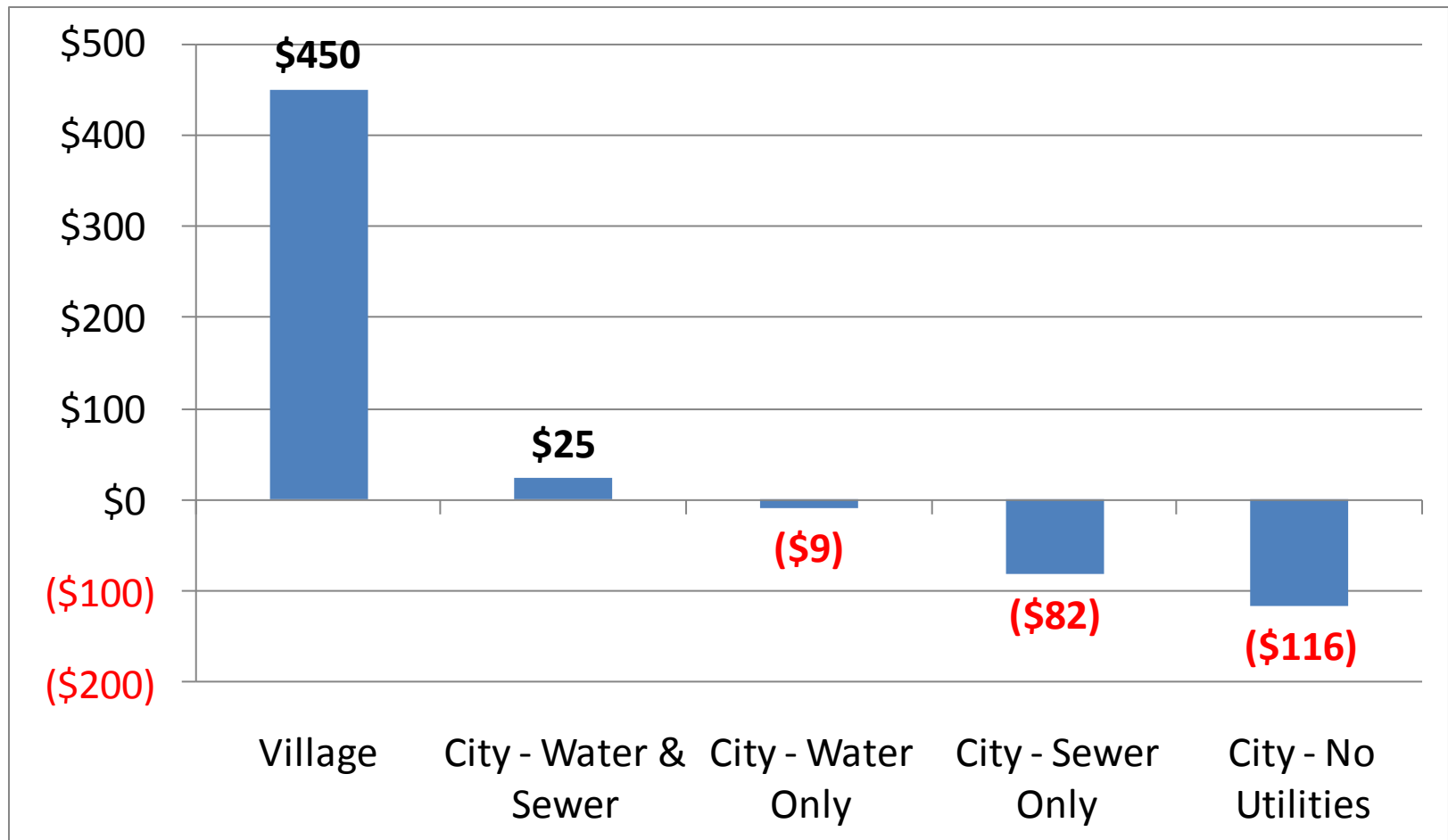
Estimated Savings for a Typical Household—*Without the Analyzed Plan*

	Village	City – Water & Sewer	City – Water Only	City – Sewer Only	City – No Utilities
Property Tax Savings / (Increase) ⁽¹⁾	\$433	(\$116)	(\$116)	(\$116)	(\$116)
Future Water Rate Savings / (Increase) ⁽²⁾	(\$3)	\$107	\$107	\$0	\$0
Future Sewer Rate Savings / (Increase) ⁽³⁾	\$20	\$33	\$0	\$33	\$0
Total Savings / (Increase)	\$450	\$25	(\$9)	(\$82)	(\$116)

Details shown on Table 8 of the DRAFT Consolidation Payment Plan

- 1) Based on home with \$300,000 equalized (fair market) value.
- 2) Based on average Village residential customer using 60,200 gallons per year, average City residential customer using 69,300 gallons per year.
- 3) Based on average Village residential customer using 57,200 gallons per year, average City residential customer using 69,300 gallons per year.

Estimated Savings for a Typical Household—*Without the Analyzed Plan*



Key Conclusions

8. Three primary alternatives have been proposed for achieving a better distribution of the benefits of consolidation:

- Seek legislation to allow the creation of a special taxing district for consolidation.
- Use of Village utility reserves to offset the tax levy.
- Creation of a utility district to fund certain street-related expenses within the current Village area.

Key Conclusions

9. The analyzed plan for consolidation proposes to:

- Equalize the differences in the financial position of the City and Village General Funds and Utility Funds
- Achieve savings for all City and Village taxpayers and ratepayers

Key Conclusions

9. (cont.) The analyzed plan for consolidation proposes to use a combination of:

- A transfer of \$5,497,901 from the Village utilities to the General Fund of the consolidated City
- The creation of a street utility district to fund approximately \$324,314 per year for certain street-related expenses within the current Village area.

Proposed Transfer of Utility Funds

Comparison of Utility Funds

	City Utilities Total	Village Utilities Total
Cash & Equivalents – 12/31/08	\$4,131,263	\$9,150,755
Estimated Change in 2009	\$518,465	(\$295,272)
Estimated 12/31/09	\$4,649,728	\$8,855,483
6 months O&M expense	\$1,298,254	\$746,577
Highest year's existing debt service	\$1,292,492	\$1,141,403
Estimated debt service - future	\$467,610	\$320,468
Target reserve levels	\$3,058,356	\$2,208,448
Ratio Actual to Minimum	1.52	4.01

Details can be found on Table 2 and in Appendix B of the DRAFT Consolidation Payment Plan

Proposed Transfer of Village Utility Funds

	Village Sewer and Water Utilities, Total
Estimated Cash and Cash Equivalents, 12/31/09	\$8,855,483
Proposed Transfer to the General Fund	(\$5,497,901)
Remaining Balance of Cash and Cash Equivalents	\$3,357,582
Targeted Reserve Needs	\$2,208,448
Ratio Actual to Minimum	1.52

Details can be found on Table 2 and in Appendix B of the Consolidation Payment Plan

Proposed Use of Utility Transfer

- Transfer to the General Fund of the Consolidated City
- Designate as a Debt Service Fund
- Withdraw funds each year to offset debt service for debt existing prior to consolidation
- Set initial amount so that % reduction in tax rates for City taxpayers is about equal to the overall % savings in General Fund tax levy
- Gradually reduce the amount each year over 10 years

Proposed Street Utility District

Comparison of City and Village Highway Costs

	City – 2010 Budget	Village – 2010 Budget	Merged – 2010 Budget	No. Needed to Provide Basic Level of Service
Road Miles	88.16	32.61	120.77	120.77
Laborers	4.0	4.5	8.5	5.5
Laborers / Road Mile	0.045	0.138	0.070	0.045
Street Lighting	\$9,000	\$79,500	\$88,500	\$12,329
Cost / Road Mile	\$102	\$2,438	\$733	\$102

Table 4 in the Consolidation Payment Plan

Proposed Allocation of Consolidated Highway Costs

	General Fund		Street Utility District	
Highway Supt. Wages & Benefits	100%	\$102,038	0%	\$0
Mechanic Wages & Benefits (2 positions)	100%	\$165,434	0%	\$0
Laborer Wages & Benefits (8.5 full-time equivalents)	65%	\$454,943	35%	\$248,151
Operating Supplies & Expenses	100%	\$579,473	0%	\$0
Street Lighting	14%	\$12,337	86%	\$76,163
Total	80%	\$1,314,225	20%	\$324,314

Table 5 in the Consolidation Payment Plan

Proposed Use of Street Utility Fund

- Fund could be created either before or after the consolidation took effect
- New City Council would allocate costs to the Fund each year
- Fund would continue until it was dissolved (requires a $\frac{3}{4}$ vote of the Council)

Proposed Use of Street Utility Fund

- District would be used to fund the higher level of services received in a fair manner
 - Municipally funded street lighting
 - Brush and leaf pickup
 - Maintenance of curb and gutter
 - Maintenance of sidewalks

Key Conclusions

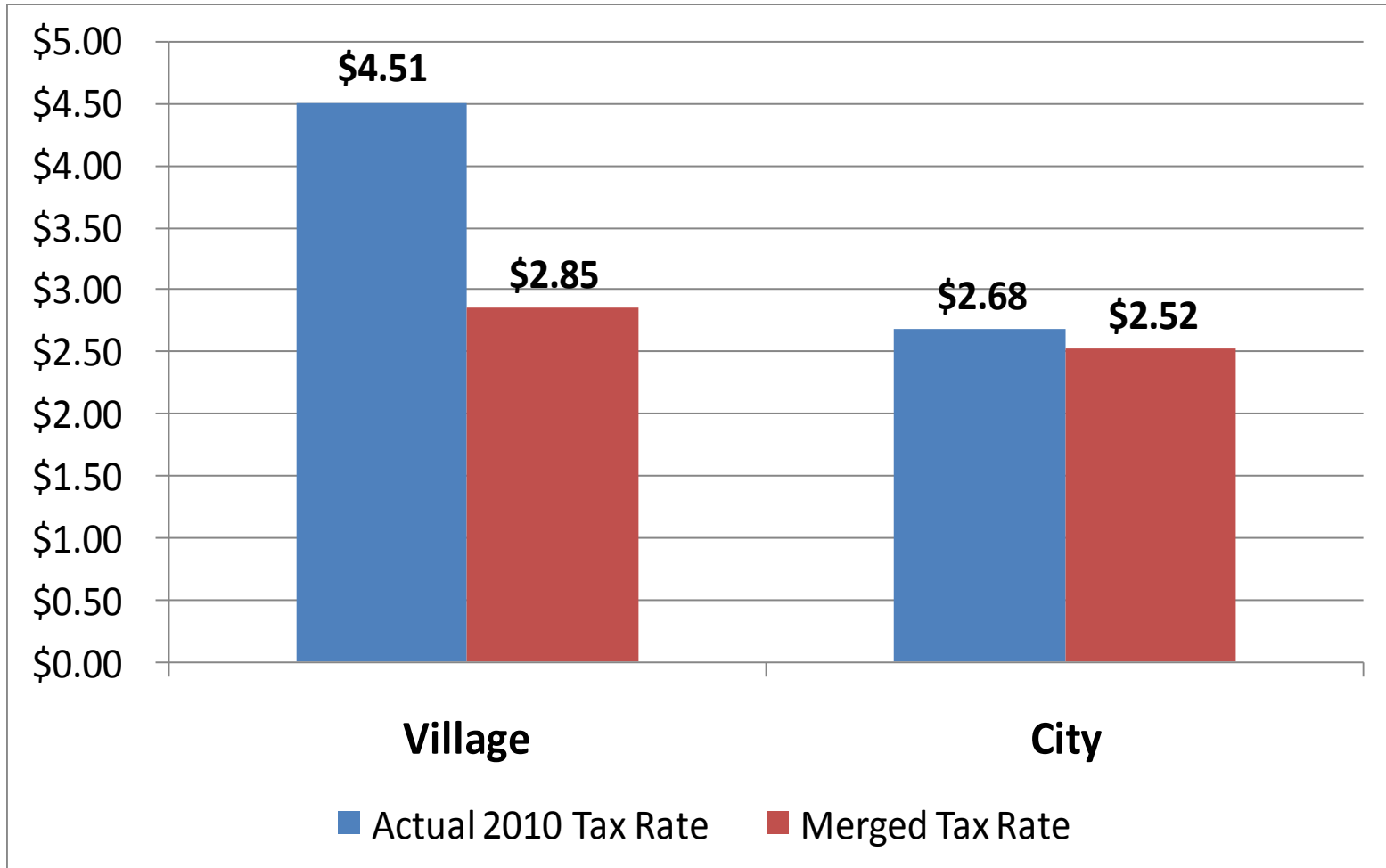
- 10. The analyzed plan is projected to yield benefits for both City and Village ratepayers and taxpayers through reductions in property taxes, utility rates or both.**

2010 Merged General Tax Levy—*Analyzed Plan*

2009 TID-in Equalized Value	\$3,801,547,800
Total Expenditures Net of Other Revenues ⁽¹⁾	\$11,656,114
Use of Utility Transfer	(\$1,750,000)
Street Utility District Revenues	(\$324,314)
Tax Levy	\$9,581,800
Tax Rate / \$1,000 EV	\$2.520
Street Utility District Tax Rate	\$0.330
Total District (Village) Area Tax Rate	\$2.850
City 2010 Tax Rate / \$1,000 EV	\$2.680
Village 2010 Tax Rate / \$1,000 EV	\$4.511

1) Source: 2010 Consolidated Budget prepared by City and Village Administrators
More details shown on Table 6 of the DRAFT Consolidation Payment Plan

Estimated Tax Rate Impacts — *Analyzed Plan*



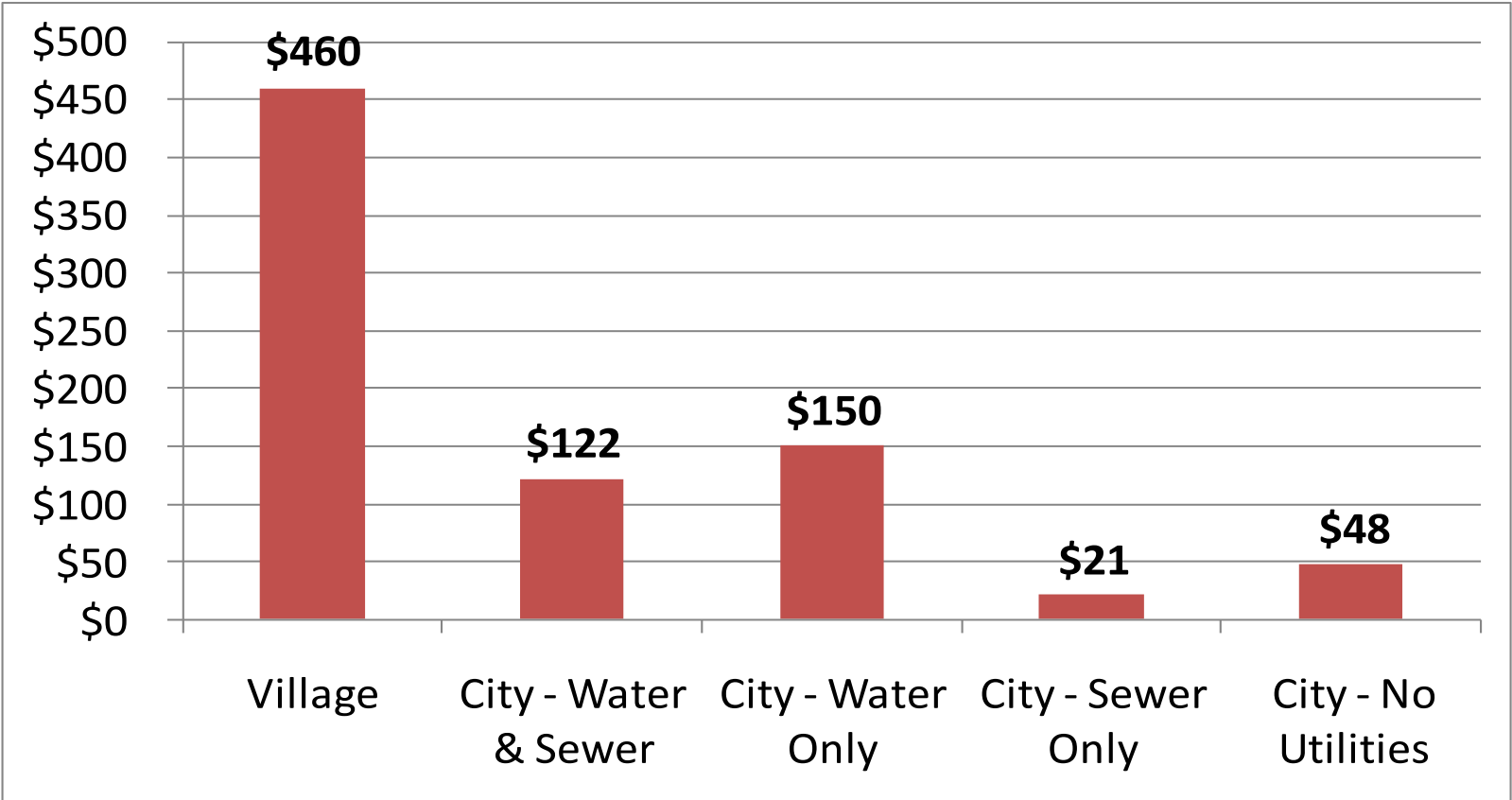
Estimated Savings for a Typical Household—*Analyzed Plan*

	Village	City – Water & Sewer	City – Water Only	City – Sewer Only	City – No Utilities
Property Tax Savings / (Increase) ⁽¹⁾	\$498	\$48	\$48	\$48	\$48
Future Water Rate Savings / (Increase) ⁽²⁾	(\$7)	\$102	\$102	\$0	\$0
Future Sewer Rate Savings / (Increase) ⁽³⁾	(\$30)	(\$27)	\$0	(\$27)	\$0
Total Savings / (Increase)	\$460	\$122	\$150	\$21	\$48

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- 1) Based on home with \$300,000 equalized (fair market) value.
- 2) Based on average Village residential customer using 60,200 gallons per year, average City residential customer using 69,300 gallons per year.
- 3) Based on average Village residential customer using 57,200 gallons per year, average City residential customer using 69,300 gallons per year.

Estimated Savings for a Typical Household—*Analyzed Plan*



Estimated Savings for a Typical Household—*With and Without the Analyzed Plan*

