

This Memo replaces the Merger Committee Memo of February 13, 2010

At the February 18, 2008 Common Council meeting: I sponsored an Ordinance 08-04 to repeal section 1.01 (1) (b) of the municipal code because it hinders direct legislation. This allowed the citizens of the City of Pewaukee to vote on a merger of two contiguous municipalities. I fully support the right of the citizens of both the City of Pewaukee and the Village of Pewaukee to vote by referendum on whether to merge the two municipalities. But unless the following questions can be answered and the appropriate correction made, how can the citizens make a reasoned decision

In my memo that I sent to the merger committee on February 13, 2010, I listed a number of summary issues that I felt needed to be corrected and the proper information provided to the public or the merger process should cease. Since the date of my original memo additional information has become available, and has changed some of my questions. I knew that the savings of Merging the City and the Village would present a saving in the operating budget in the 2010 model by \$331,000.00, but after I received a question from a constituent, I found startup legal costs estimated to be \$311,000.00, were not included in the operating budget.. Therefore leaving our first year merged budget with a saving of only \$20,000.00. There were additional start up costs listed, but no estimated dollar figures were included:

- ✓ Audit to combine both communities into one
 - ✓ Contingency account to cover miscellaneous items
 - ✓ Election costs for primary and regular election for Mayor, Alderpersons and Municipal Judge
 - ✓ Stationary, Business Cards, etc.
 - ✓ Costs involved with hiring new employees.
- Ruekert-Mielke (R-M) has projected a savings of \$8.3 million. In the attached memo from the City of Pewaukee Department of Public Works they have identified a highly probable savings of \$3.2 million. I believe when you read through the memo these answers will become abundantly clear, I will quote the Director from his memo:

"Although the mathematics is clear, we are somewhat cautious in endorsing the full \$8.3 million of savings over the 15 year study. There are too many factors or assumptions that may change over the timeframe. We are confident however that at least \$3.196 million in savings can be achieved very quickly by merging the city and village utilities".

To identify the assumptions that he referred to, I will provide another quote from the memo;

H. Roger Hathaway

February 24, 2010

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"But, like any study that is based on a model, that model has to be periodically calibrated and adjusted as time moves forward to reflect the validity of the assumptions. For example, the study uses the daily water demands contained in SEWRPC's recent water supply plan. We do not object to the use of this demand number, but we are somewhat cautious in relying on that value since the demand figure is lower than has been used in the past and the prevalence of lawn irrigation systems in the city skews our experienced demands higher. These demands are the driving force behind the development of a new well, and only experience will prove whether the study water demands are accurate".

The director provided a summary at the end of this memo:

Summary of City Staff View of Capital Infrastructure Savings

Savings of which we are confident to occur upon consolidation of water systems:	\$3,196,000
Savings of which are likely to occur upon consolidation of water systems:	\$1,870,000
Savings that could potentially occur upon consolidation of water systems:	<u>\$3,253,000</u>
	\$8,319,000

I believe the use of the \$8.3 million in the letter that was sent out to the public should be corrected and reflect the realistic number of \$3.2 million. Along with the two quotes from the director of public works which are listed above. This will give the public a much more realistic understanding of the savings that will be experienced by combining the two water utilities. I would also include Director Weigel's

Summary of City Staff View of Capital Infrastructure Savings.

- I'm also aware of the concern that was brought forward by the President of the Village Board of Trustees, that three of the seven trustees are not in favor of a Street Utility District (SUD). There was also a newspaper article from February 17, 2010, where the reporter reported. "While no formal vote has been taken on an SUD, Village Board members are split on their opinion of using an SUD to offset the discrepancy of tax rates in a merged community". This supports the Village Presidents earlier comment on the SUD. A vote according to the state statute would require a vote of 6/7, I believe this is a indication that the SUD may not pass the trustees of the Village of Pewaukee. This SUD is very important in that the Village has budgeted \$1,336,943 per square mile for 2010 and the City \$604,906 per square mile for 2010. To take another perspective the Village is 17.44% of the land mass, but 34% of the combined budget. The City is 82.56% of the land mass, but is 73% of the combined budget. For this reason the SUD is an integral part of the merger, which, I believe, should be voted on as soon as possible, in order for the communities know how to proceed with the merger process.

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- The draft legislation that we were to review at the February 17 meeting of the merger committee, was not available at that time and consequently the meeting was canceled. The merger committee has rescheduled the meeting for February 24, and has listed as item 6 on the agenda Report/Discussion/Possible Action on Draft Legislation. I am questioning the timing of this legislation. I was able to confirm that March 2, 3, 4 are the only days that the legislature will be in session in Madison and that on March 25, all bills are sent to the governor for his signature. There are also six additional days in April, the 13th 14th and 15th and the 20th 21st and 22nd for any final business. I have been told that this is an extremely short time for a bill that has not even come out of the LRB, to make its way through the Legislature and on to the governor's desk. My question to the merger committee; if neither the SUD or the draft legislation passes their respective bodies what other options are available to move forward with the merger study and referendum.
- I also offer Mayor Klein's quote from the minutes by January 5, 2009 Common Council meeting, this is important to consider at this time; "Mayor Klein felt the merger would not make sense if it was not a win-win situation for both communities, and if the cost savings only benefit one side or the other." I believe the documentation we have received to date, especially the chart in the first newsletter that has been mailed, demonstrates that the cost savings will benefit one side more than the other. Especially in light of the document from Director Weigel, that the savings that the City would receive from the merger of the water utilities is substantially reduced.
- In conclusion, I believe there is some additional information that needs to be discussed and has been overlooked to date, especially, NR 216, additional startup costs, as an example.. Finally, will the \$5.5 million from the village's water utility, which was originally projected to reduce taxes for the citizens of the City of Pewaukee and now all is being directed at debt service for the two municipalities, will this be sufficient to make this merger practical, without the SUD and the draft legislation?