

To: Members of the Common Council
City of Pewaukee

Members of the Board of Trustees
Village of Pewaukee

Honorable Mayor Scott Klein

Honorable Village President Jeff Knutson

From: The Joint Village/City of Pewaukee Merger Advisory Committee
Philip Evenson, Chair

Date: March 25, 2010

Honorable members of the Common Council of the City of Pewaukee; the Honorable Members of the Village Board of the Village Pewaukee; the Honorable Mayor of the City of Pewaukee; and the Honorable President of the Village Board of the Village of Pewaukee:

The members of the Joint Village/City of Pewaukee Merger Advisory Committee are pleased to provide to the Common Council and the Village Board the results of the analysis that has been performed at the joint direction of the Common Council and Village Board into whether the two communities could merge into one community, and if so, whether that could be accomplished in a manner that would provide benefits to all of the taxpayers of the Village and the City.

Attached please find the FINAL REPORT AND RECOMMENDATION of the Committee along with a draft ordinance, which if passed by both the Village and the City would enable the electorate of the respective communities to vote to determine via referendum whether the two communities should merge to form one unified community.

Also attached please find a summary of the analysis performed that sets forth the results of the analysis and the conclusions reached from that analysis.

Based on the analysis and the conclusions reached by the Committee, the two communities can merge and the benefits of such a merger would be realized by all taxpayers although the level and amount of benefits will differ, as set forth in the analysis. It is now up to the Common Council and Village Board to determine whether to proceed further. The steps to merge the two communities are set forth in the FINAL

REPORT AND RECOMMENDATION and the summary analysis, but can be summarized, as follows:

- Step One
 - Village of Pewaukee adoption of Street Utility District as outlined in the FINAL REPORT AND RECOMMENDATION
- Step Two
 - Village of Pewaukee adopt the proposed consolidation ordinance
 - City of Pewaukee adopt the proposed consolidation ordinance
- Step Three
 - Village of Pewaukee referendum voted upon by the general electorate of the Village
 - City of Pewaukee referendum voted upon by the general electorate of the City of Pewaukee
- Step Four
 - Consolidation of the two communities

The Committee has provided a timeline, which is incorporated in the proposed consolidation ordinance, to complete the steps outlined above to consolidate the two communities. However, the Committee wishes to note that the dates set forth in the proposed consolidation ordinance can be revised, but would likely require coordination between the two communities.

The Committee believes that should the communities proceed as set forth in the FINAL REPORT AND RECOMMENDATION, the Committee would be prepared to provide additional assistance in developing the information necessary to assist the combined community once it is formed.

FINAL REPORT, FINDINGS AND RECOMMENDATION OF THE
CITY AND VILLAGE OF PEWAUKEE CONSOLIDATION STUDY COMMITTEE

EXECUTIVE SUMMARY

The Committee has completed the specific items noted in its October 7 Report (as discussed more fully below), and has fulfilled its responsibilities under the September 2006 Memorandum of Understanding entered into between the Village and City. As a result, the Committee provides this final report and recommendation:

- **There is a basis upon which the Village of Pewaukee and City of Pewaukee can merge to form one combined municipality that is advantageous to all tax payers of the combined community.**
- **The Committee bases its conclusion on the studies that have been performed at the direction of the Committee. Those studies demonstrate, upon the facts that can be determined or on the basis of reasonable assumptions included in the reports, that merging the two communities into one municipality will result in the following:**
 - **Operating costs of the merged community to provide the current municipal services can be reduced (estimated in the first year of operation to be approximately \$331,000), taking into account the nature and levels of municipal services currently provided by each community.**
 - **Future anticipated capital costs of the merged community can be reduced by as much as \$8.2 Million, especially capital costs associated with the provision of municipal water service.**
- **There are two means by which the two communities can merge and achieve reduced operating and capital costs.**
 - **The adoption of legislation by the State Legislature authorizing differing tax rates or differing tax districts, combined with the approval by the Village Board and the Common Council of a “consolidation ordinance” setting forth the manner of consolidation and, the approval by the voters of each community of a binding referendum approving the merger of the Communities.**
 - **The adoption by the Village of Pewaukee of a Special Utility District (SUD) for the purposes of establishing the SUD amounts to be paid by**

those property owners in the combined community that receive enhanced municipal services.

- **Followed thereafter by the approval by the Village Board and the Common Council of a “consolidation ordinance” setting forth the manner of consolidation and, the approval by the voters of each community of a binding referendum approving the merger of the Communities.**
- **And followed thereafter by the transfer from the reserves of the combined municipal water utility of the sum of approximately \$5.5 Million to the general fund of the combined community to be held in a special debt service reduction account to pay the debt service of the combined community.**

It is the recommendation of the Committee that:

- **The Village of Pewaukee establish a Street Utility District to collect from the property owners in such district the amount necessary to reflect the higher level of municipal services received in the SUD area; and**
- **The Village of Pewaukee and City of Pewaukee legislative bodies should approve the consolidation ordinance prepared by the Committee by the required majorities; and**
- **The merger of the two communities should be placed on the ballot for an election to be voted upon by the voters, and if approved, implemented.**

FINAL REPORT, FINDINGS AND RECOMMENDATION OF THE CITY AND VILLAGE OF PEWAUKEE CONSOLIDATION STUDY COMMITTEE

On October 7, 2009, the Merger Study Commission issued its REPORT, FINDINGS AND RECOMMENDATION (October 7 Report) and thereafter provided its Report to the Common Council and Village Board for the City of Pewaukee, and Village of Pewaukee, respectively. The Report sought further guidance from the Common Council and Village Board, as follows:

The Committee recognizes that there are significant additional steps and costs to be undertaken in order to provide an appropriate consolidation referendum to the voters of the City and Village to determine whether consolidation should proceed. The further steps identified by the Committee are as follows:

- Approval of the continued efforts to consolidate by the legislative bodies of the City and Village
- Revise the hypothetical operating budget to reflect approved budgets following the budget approval process of the City and Village
- Retention of necessary consultants and the development of an estimated budget for the continued effort to consolidate
- Development of and approval by the legislative bodies of the City and Village of a consolidation agreement between the City and Village that specifies the terms and conditions of consolidation, including the structure of a new municipal government
- Development of and approval of a joint consolidation referendum to be presented to the electorate of both the City and Village in the April 2010 elections.

October 7 Report at p.5.

The Committee requested that the Village Board and Common Council authorize the expenditure by the Committee of an additional \$150,000, in the aggregated (\$75,000 to be provided by each community) in order to complete the steps set forth above (and included in the Committee's October 7 Report). The Village Board and Common Council authorized the Committee to proceed and authorized the expenditure of an additional \$150,000 to complete the steps set forth above.

The Committee met on October 29, November 18, December 2, 2009, and January 6 and January 13, 2010, and January 20, 2010 to complete the final elements of the Committee's review.

I. Revised Hypothetical Operating Budget

At the direction of the Committee, and following approval of the operating budgets for the Village and City by their respective legislative bodies, the administrators of the City and Village prepared a revised hypothetical budget for the proposed merged community utilizing the approved 2010 budgets for the respective communities. The revised hypothetical budget utilized similar assumptions to the hypothetical budget previously prepared for the Committee. The administrators chose “conservative” assumptions in that in each instance where there was a choice between a more expensive approach or a less expensive approach, the more expensive approach for cost estimation was used to insure that the projects costs in the hypothetical budget reflected a “worst case” assessment of the costs that would be incurred by the merged community. The revised hypothetical budget is attached as Attachment I to this Final Report.

The revised hypothetical budget, using the assumptions developed and the conservative estimates, indicates that the combined community would achieve operating cost savings from a combined annual operating budget perspective of approximately \$331,000 in the year 2010. The Committee has reviewed the hypothetical budget and accepts the budget as provided by the administrators and congratulates them on the extra-ordinary efforts under the time constraints.

Irrespective of the further action by the legislative bodies, the Committee requests that the Village Board and the Common Council expressly recognize the exceptional effort provided by the Village Administrator, Scott Gosse, and the City Administrator, Tammy LaBorde, and recognize them publicly for their efforts on behalf of the Committee and the respective communities and the tax payers of the respective communities. The Committee recommends that the Village Board and Common Council accept the revised hypothetical budget as part of their respective review process.

The annual operating costs savings are only one element of the cost savings that are likely to be achieved by the combined community. As a result of the analysis done on the water and sewer utilities of the Village and City, in addition to the operational cost savings, the proposed merged community would likely achieved future capital cost savings of up to a combined \$8.2 Million. When combined with the operating cost savings, the capital cost savings; they provide a reasonable and realistic basis for combining the two communities.

II. Retention of Consultants

In accordance with the authorization of the Village Board and the Common Council, the Committee retained the analytical firm of Ruckert & Mielke, Inc. and the law firm of Boardman, Suhr in order to complete the remaining process. Additionally, as part of the analytical process, the Committee, through Ruckert & Mielke, have access to the services of Zeppos & Associates a communications firm that can provide the appropriate mechanisms to communicate to the residents and voters of the respective communities should the legislative bodies determine to proceed with the consolidation.

III. Development of a Consolidation Agreement and Associated Referendum

Following authorization by the legislative bodies authorizing the Committee to develop the further steps to consolidate the two communities, the Committee met to develop the structure of the proposed merged community, including the development of the basic structure of the community, the development of the aldermanic districts associated with the new community, and the development of the consolidation ordinance to be adopted initially by each legislative body, and thereafter, placed on the ballot in April 2010 to be voted on by the voters of the respective communities that would authorize the merger of the respective communities into one, combined, municipality. The proposed merger ordinance is set forth at Attachment 2 to this Report.

In light of the differing level of services provided by the Village and the City in connection with certain municipal activities, notably street lighting and street maintenance, the Committee considered the impact of the differing approaches on the taxpayers of the combined community. As a result, and in consultation with the consultants retained by the Committee, the Committee has determined that the most appropriate means of addressing the differing levels of municipal services currently provided, while continuing those levels of services, is to have the Village, as a predicate to the consolidation, adopt, effective on consolidation, an ordinance creating a Street Utility District (SUD). The SUD would continue for a period of no less than ten years and would assure that the level of services currently enjoyed by the residents of the Village of Pewaukee would continue, while at the same time assure that the residents of the City of Pewaukee would not be required to bear the additional costs without enjoying the additional benefits. Upon the expiration of the ten year period, the SUD could, should the then sitting Common Council either be continued or dissolved, depending on the nature and level of services provided generally through the combined municipality.

In connection with the evaluation of the consolidation ordinance, the Committee was required to address two specific matters that need particular attention in connection with the consolidation of the two communities.

First, the establishment and maintenance of two Board of Review following the consolidation is necessary until such time as the combined community determines, on a unified basis, the assessed valuation of the combined community. Given that both communities have recently under taken a revised assessment, the combined community should, as reflected in the consolidation ordinance, continue two Boards of Review until such time as they can be appropriately consolidated into one Board of Review.

Secondly, each community currently has a municipal court, each of which as a municipal judge duly elected to service. Each of the judges' terms extends beyond the date upon which the communities could merge. State law is untested on the effect of merging the two communities on the existing municipal courts. In order to alleviate doubt, and to insure that the municipal judges that have been duly elected are entitled to serve, the Committee recommends the governing body of a consolidated community create a

municipal court with one or more branches, each of which is to be served by the judge duly elected in the community in which they currently serve. The Committee concludes that since the combined community will be continuing to operate with two sets of ordinances during an interim period, creating two courts, while retaining both duly elected judges, will facilitate the transition to a unified municipal code and a unified municipal judiciary. The consolidation ordinance allows for the creation of a municipal court with one or more branches.

IV. Conclusion and Recommendation

The Committee has completed the specific items noted in its October 7 Report, and has fulfilled its responsibilities under the September 2006 Memorandum of Understanding entered into between the Village and City. As a result, the Committee provides this final report and recommendation:

- There is a basis upon which the Village of Pewaukee and City of Pewaukee can merge to form one combined municipality that is advantageous to all tax payers of the combined community.
- The Committee bases its conclusion on the studies that have been performed at the direction of the Committee. Those studies demonstrate upon the facts that can be determined or on the basis of reasonable assumptions, that merging the two communities into one municipality will result in the following:
 - Operating costs of the merged community to provide the current level municipal services can be reduced (estimated in the first year of operation to be approximately \$331,000), taking into account the nature and levels of municipal services currently provided by each community.
 - Future anticipated capital costs of the merged community can be reduced by as much as \$8.2 Million, especially capital costs associated with the provision of municipal water service.
- There are two means by which the two communities can merge and achieve reduced operating and capital costs.
 - The adoption of legislation by the State Legislature authorizing differing tax rates or differing tax districts, combined with the approval by the Village Board and the Common Council of a “consolidation ordinance” setting forth the manner of consolidation and, the approval by the voters of each community of a binding referendum approving the merger of the Communities; or
 - The adoption by the Village of Pewaukee of a Special Utility District (SUD) for the purposes of establishing the SUD amounts to be paid by

those property owners in the combined community that receive enhanced municipal services;

- followed thereafter by the approval by the Village Board and the Common Council of a “consolidation ordinance” setting forth the manner of consolidation and, the approval by the voters of each community of a binding referendum approving the merger of the Communities;
- and followed thereafter by the transfer from the reserves of the combined municipal water utility of the sum of approximately \$5.5 Million to the general fund of the combined community to be held in a special debt service reduction account to pay the debt service of the combined community.

It is the recommendation of the Committee that:

- The Village of Pewaukee establish a Street Utility District to collect from the property owners in such district the amount necessary to reflect the higher level of municipal services received in the SUD area.
- The Village of Pewaukee and City of Pewaukee legislative bodies should approve the consolidation ordinance prepared by the Committee by the required majorities
- The merger of the two communities should be placed on the ballot for the next immediately available general election to be voted upon by the voters, and if approved, implemented.