



December 17, 2008

Mr. Philip C. Evenson
Executive Director
Southeastern Wisconsin Regional Planning Commission
P.O. Box 1607
Waukesha, WI 53187-1607

Re: City of Pewaukee – Village of Pewaukee Consolidation Analysis Scope of Services

Dear Mr. Evenson:

Municipal Economics and Planning, a division of Ruckert/Mielke, and the Boardman Law Firm are pleased to submit this proposal to assist the Commission by performing research and analysis related to the proposed consolidation of the City and Village. You have provided us with a copy of the draft combined general fund budget for test year 2008 that was prepared by the City and the Village and we have conducted a cursory review of that document. This proposed budget will serve as the basis for our analysis.

As shown in the draft combined budget, the proposed combined tax rate would be approximately 24 percent higher than the City tax rate and approximately 33 percent lower than the Village tax rate. As we know, the disparate tax impacts for the two communities pose an obstacle to actual implementation of a consolidated municipality with the principal issue being that of the increase in the tax rates for property owners within the current City limits. Although the 2002 Consolidation Study found that there would be offsetting savings to City utility customers, not all City tax payers are utility customers. It is therefore important to explore potential options to mitigate the increase in tax rates for City property owners.

For this study, we propose to use the draft 2008 merged budget prepared by the City and the Village to explore methods for reducing the proposed combined tax rate to one that approximates the City's tax rate, while maintaining the same level of expenditures and service as the combined budget. The objective will be a revenue recovery regime whereby property owners within the current City limits will pay no more in total annual revenues than they would if the City remained a separate municipal entity. To accomplish this goal, we will explore many options. One group of options may include finding ways to increase non-property tax revenues in such a way that the additional revenues are derived only from property owners within the current Village limits, such as special assessments, new forms of user charges, the creation of utility districts and the like. Another general alternative to be explored may be the establishment of a tax rate reduction fund by the Village. The use of utility funds to offset tax rates may be another alternative.



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As stated, the combined 2008 budget will serve as the main data source for the proposed analysis. Our proposed scope of services does not include an effort to, in any way, critique, revise, modify, or extend the draft combined 2008 budget that was prepared jointly by the City and Village. Although the City and Village have now adopted their 2009 budgets and tax rates, we do not propose to update the draft merged budget based on the newly adopted budgets. The consolidation of the City and Village would not take place until 2010 at the earliest. Therefore any budgetary figures we work with at this time, either 2008 or 2009, will not represent exactly what the budget of a consolidated municipality would be. For purposes of this study, in order to show the methods by which the tax rate of a consolidated municipality could be reduced, we believe that the 2008 draft combined budget provides a reasonable approximation. However, we do expect that we will be in need of additional supporting information, including, but not limited to, data on the Village's debt service and recent and proposed capital projects.

To accomplish these stated objectives we propose the following scope of services:

Task 1: Data Collection and Review (to be completed by Ruckert & Mielke)

- a. Review and analyze the draft combined budget document developed by the City and the Village
- b. Determine additional supporting data and information needs
- c. Develop a list of additional required data and prepare a request for information
- d. Review and analyze the additional information

Task 2: Initial Analysis (to be completed by Ruckert & Mielke)

- a. Quantify the amount of annual combined tax levy reduction that would be needed to realize a test year 2008 consolidated tax rate that would approximate the City's equalized tax rate.

Task 3: Consideration of Alternative Revenue Recovery Options (to be jointly completed by Ruckert & Mielke and the Boardman Law Firm)

- a. Generate potential options for recovery of revenues from Village property owners
- b. Develop conceptual plans and develop a framework for analysis of option or options identified

Task 4: Legal Feasibility (This work will be performed by the Boardman Law Firm)

- a. Research Wisconsin statutes to determine the viability of potential options for recovery of revenues from Village property owners.
- b. Consult with Municipal Economics and Planning regarding which options are workable under current Wisconsin statutes.
- c. Assist Municipal Economics and Planning in analyzing option or options identified.

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- d. Prepare insert on legal analysis to be included in brief report on findings described in Task 7.

Task 5: Analysis (to be completed by Ruckert & Mielke)

- a. This task will be performed only if a workable option, or options, has been identified in Task 3
- b. Determine additional data requirements arising from Task 3 that were not included in Task 1
- c. Formulate and conduct an analysis for the option or options identified in Task 3
- d. Quantify the amount of revenue shift associated with the identified options
- e. Identify a general approach for recovering the revenue from only Village properties
- f. Quantify the overall impacts on the City and Village property owners of each option
- g. Identify and summarize/describe the potential issues or obstacles associated with each option, in terms of fairness and administration
- h. Identify a general approach for gradually blending the fiscal capacities and increasing the tax rate over an extended period of time. This will not include developing any quantitative projections of future tax rates, since that would require developing projected future equalized values, revenues and expenditures, which have not been completed and are not part of the scope of this effort.

Task 6: Utility System Analysis

This task is not included in our scope of services but is an important part of the overall study. The "Interim Report to the City and Village of Pewaukee on the Update of the Consolidation Study" prepared by SEWRPC suggests that as part of a possible course of action, the administrative and engineering staff of the City and Village would examine in detail both the sewerage and water systems with a view toward confirming the potential capital cost avoidance of merging. We agree that this information would be useful in that the avoidance of utility capital expenditures is an important reason for considering consolidation, and has been shown to be the area where City residents will realize the greatest cost savings. It is our assumption that, if the Merger Advisory Committee would like our report to address utility cost savings, the City and Village staff will provide us with a detailed analysis of separate and merged utility budgets similar to the draft general fund budget, but also taking into account capital cost savings.

Task 7: Conclusions, Report and Work Product Deliverables (to be completed by Ruckert & Mielke, incorporating the written findings on legal feasibility prepared by the Boardman Law Firm)

- a. Formulate our findings and conclusions
- b. Present our conclusions to the Merger Advisory Committee



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- c. Draft a brief written report on our findings
- d. Develop tables summarizing property tax and other impacts on property owners in the City and the Village
- e. The detailed quantitative analyses developed in Task 1 and Task 4 will be provided as an addendum to the report

Our proposed project team from Ruckert & Mielke includes Bill Mielke to review and present our findings and to facilitate the discussion with the Merger Advisory Committee, and Jim Fiacco and Christine Cramer to provide financial analysis. These three individuals represented the core of our project team for the original Consolidation Study that was prepared in 2001. Lawrie Kobza from the Boardman Law Firm will conduct the legal research and prepare the written findings on the legal feasibility of the alternatives.

We look forward to working with the Commission on this important project.

Very truly yours,

**MUNICIPAL ECONOMICS &
PLANNING**
A division of Ruckert/Mielke

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Proposal File
File