



Consolidation Payment Analysis – Status Update

Presented to:

The City and Village of Pewaukee
Merger Advisory Committee

December 2, 2009

Summary



Goal

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

Summary

Strategies

- Develop a plan that will fairly distribute the benefits of consolidation
- Estimate the impacts on ratepayers and taxpayers

Summary

Key Issues

- How much of a “consolidation payment” would be needed to put the Village General Fund on equal footing with the City in terms of net assets (fund balances minus liabilities such as long-term debt, upcoming major capital projects, etc)?
- What is the most that could be withdrawn from Village utility reserves to reduce them to a level comparable to the City’s utility reserves and put the City and Village utilities on equal footing?

Summary

Key Issues cont.

- What would City and Village 2010 tax rates look like with the structural differences adjusted for (“apples-to-apples” comparison)?
- What is the updated 2010 Merged General Fund budget and tax rate with and without a consolidation payment?
- What would updated utility rate projections look like with various assumptions about use of utility reserves?

Summary

Current status

- Completed consolidation payment analysis using 12/31/08 figures
- Completed an update to the utility rate projections with various assumptions about the use of utility reserves
- Working on forecasts for year-end 2009 and future items
- Working on 2010 merged budget and tax rate

Summary

Conclusions

Based on 12/31/08 figures (SUBJECT TO CHANGE)

- \$4.4 million General Fund consolidation payment would be needed to put the Village General Fund on equal footing with the City
- A withdrawal of \$6.1 million from Village utility reserves would put the City and Village utilities on equal footing
- The withdrawal of \$6.1 million from Village utility reserves would result in slightly higher future rate increases for Village customers but there would still be significantly lower future rate increases for City customers

Summary

Next steps

- Adjust the consolidation payment analysis for year-end 2009 forecasts and other future items
- Complete projection of 2010 merged budget and tax rate
- Estimate tax rates for the merged city with the range of potential consolidation payment amounts (approx. \$4.0 million to \$6.0 million)

Summary

Next Steps cont.

- Prepare estimates of the tax rate and utility rate impacts for typical residential properties:
 - City taxpayer without utility service
 - City taxpayer with utility service
 - Village taxpayer with utility service

2010 Levies and Tax Rates

	City	Village
General Tax Levy	\$7,550,766	\$4,322,939
Assessed Tax Rate	\$2.692	\$4.7288
Assessment Ratio	.994438302	.953832452
Equalized Rate	\$2.677	\$4.5105

Net Assets / (Liabilities) at 12/31/08 – General Fund

	City	Village	Merged
Fund Balances	\$6,137,143	\$4,404,969	\$10,542,112
Special Assessments	\$319,649	\$713	\$320,362
Total Assets	\$6,456,792	\$4,405,682	\$10,862,474
Long-term Debt	\$8,328,467	\$9,473,315	\$17,801,782
Net Assets / (Liabilities)	(\$1,871,675)	(\$5,067,633)	(\$6,939,308)
Equalized Value	\$2,817,885,000	\$983,662,800	\$3,801,547,800
Assets/(Liabilities) per \$1,000 EV	(\$0.664)	(\$5.152)	(\$1.825)
Consolidation Pmnt. per \$1,000 EV		\$4.488	\$1.161
Total Consolidation Payment		\$4,414,271	\$4,414,271

Other Items to be Factored In

- ➊ Projected changes in fund balances in 2009
 - City – decrease of \$2.2 million
 - Village - _____
- ➋ Reduction in outstanding debt in 2009
 - City - \$1.1 million
 - Village - \$300,000
- ➌ Planned debt issues in 2010
 - City - \$2.7 million
 - Village - \$216,000

Other Items to be Factored In

- Village TID closeout / fund distribution
- Future major capital projects
 - City
 - Annual road program 2011-2014 - \$6.5 million
 - Storm water projects - _____
 - Village
 - Annual road program 2011-2014 - \$800,000
 - Pewaukee Lake Dam - \$650,000 - \$1.0 million
 - Storm water projects - _____
- Anticipated special assessments
 - City - \$325,000 for 2010 road assessments

Projected Overall Impact of Other Items

- Larger increase in the City's net liabilities relative to the Village
 - Draw down of reserves in 2009
 - \$2.7 million borrowing in 2010
- Narrowing of the disparity between the City and the Village
- The consolidation payment needed to equalize this disparity would decrease

2010 Projected Merged Levy and Tax Rate

 In process

2010 Tax Rates - Adjusted

	City	Village
Adopted General Tax Levy	\$7,550,766	\$4,322,939
Annual road program debt (net of assessments)	\$660,750	\$186,000
Capital equipment debt (excl. fire apparatus)	\$248,200	\$30,000
Other General Fund costs debt financed	\$574,000	-0-
50% of Village TID levy after TID closeout in 2010		(-\$57,000)
Potential use of utility reserves		(-\$687,000)
Net Adjusted Levy	\$9,033,716	\$3,794,939
Adjusted Assessed Tax Rate	\$3.22	\$3.91
Assessment Ratio	.994438302	.953832452
Equalized Rate	\$3.20	\$3.73

Utility Reserve Analysis

	City	Village	Merged
Utility Cash and Cash Equivalents – 12/31/08	\$4,131,263	\$9,150,755	\$13,282,018
6 Months O&M Expenses	\$1,298,254	\$746,577	\$1,970,751
Highest Annual Debt Service (2010 – 2025)	\$1,292,492	\$1,141,403	\$2,433,895
Estimated Debt Service for Future Capital *	\$468,000	\$320,000	\$788,000
Minimum Reserve Needs	\$3,058,000	\$2,208,000	\$5,266,000
Ratio of Actual Reserves to Minimum	1.35	4.14	2.52
Transfer from Utility Funds to reduce reserves to a level comparable to the City		(\$6,172,918)	(\$6,172,918)
Utility reserves after transfer		\$2,977,837	\$7,109,100

* Only projects that would be needed under consolidation

Other Items to Consider

▶ Projected change in reserve balances in 2009

— City

- Water - \$490,000 increase
- Sewer - \$1.1 million increase

— Village

- Water - \$119,000 decrease
- Sewer – No change

Updated Utility Rate Projections

- Scenario 1 (separate) - Added \$2.0 million elevated storage for City
- Assumed draw-down of utility reserves to minimize rate increases
 - Separate utilities (Scenario 1)
 - Merged utilities without withdrawal of utility funds for a consolidation payment (Scenario 2)
- Added Scenario 4 – withdrawal of \$6.1 million of utility reserves

Updated Utility Rate Projections – Ave. Annual Charge per Residential Customer

	Current	2025	
City			
Scenario 1 (Separate)	\$823	\$1,234	↑
Scenario 2 (Merged)	\$822	\$1,029	↓
Scenario 3 (Merged – Withdrawal of \$4.75 million)	\$826	\$1,079	
Scenario 4 (Merged – Withdrawal of \$6.1 million)	\$826	\$1,098	
Village			
Scenario 1 (Separate)	\$699	\$868	↓
Scenario 2 (Merged)	\$685	\$859	↓
Scenario 3 (Merged – Withdrawal of \$4.75 million)	\$685	\$896	
Scenario 4 (Merged – Withdrawal of \$6.1 million)	\$685	\$912	

Conclusions So Far

- Based on 12/31/08 figures (SUBJECT TO CHANGE)
 - \$4.4 million General Fund consolidation payment would be needed to put the Village General Fund on equal footing with the City
 - A withdrawal of \$6.1 million from Village utility reserves would put the City and Village utilities on equal footing
 - A withdrawal of \$6.1 million from Village utility reserves would result in slightly higher future rate increases for Village customers but there would still be significantly lower future rate increases for City customers