



Consolidation Payment Plan Overview

Presented to:

The City and Village of Pewaukee
Merger Advisory Committee

January 13, 2010

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

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

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

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)
- Costs associated with independent planning for the two systems
- Costs for negotiation and administration of the inter-municipal agreements.
- Without consolidation, the City could be at risk for significantly higher capital costs if it was unable to successfully negotiate cooperative agreements with the Village to serve areas of the City that are currently without sewer service.

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.**

Comparison of General Funds

	City	Village
Estimated 12/31/09 Fund Balances	\$3,982,592	\$4,881,834
Special Assessments Levied but not Collected	\$223,085	\$3,544
Estimated Special Assessments for 2010-2014 Road Projects	\$1,913,880	\$0
Total Assets	\$6,119,557	\$4,885,378
Long-term Debt Outstanding at 12/31/09	\$7,209,625	\$9,214,352
Debt to be issued in 2010	\$2,722,200	\$216,000
Major Capital Projects, 2010-2014	\$3,532,511	\$1,450,000
Total Liabilities	\$13,464,336	\$10,880,352
Net Assets / (Liabilities)	(\$7,344,778)	(\$5,994,974)
Equalized Value	\$2,817,885,000	\$983,662,800
Assets/(Liabilities) per \$1,000 EV	(\$2.606)	(\$6.095)

Details shown on Table 1 and in Appendix A of the Consolidation Payment Plan

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*.**

Comparison of Utility Funds

	City Sewer	City Water	City Total	Village Sewer	Village Water	Village Total
Cash & Equivalents – 12/31/08	\$2,891,884	\$1,239,379	\$4,131,263	\$5,950,698	\$3,200,057	\$9,150,755
Estimated Change in 2009	\$192,833	\$325,632	\$518,465	(\$176,671)	(\$118,601)	(\$295,272)
Estimated 12/31/09	\$3,084,718	\$1,565,010	\$4,649,728	\$5,774,027	\$3,081,456	\$8,855,483
6 months O&M expense	\$728,664	\$569,590	\$1,298,254	\$462,367	\$284,210	\$746,577
Highest year's existing debt service	\$1,012,182	\$280,310	\$1,292,492	\$600,175	\$541,228	\$1,141,403
Estimated debt service - future	\$175,711	\$291,899	\$467,610	\$175,940	\$144,527	\$320,468
Target reserve levels	\$1,916,557	\$1,141,799	\$3,058,356	\$1,238,482	\$969,965	\$2,208,448
Ratio Actual to Minimum	1.61	1.37	1.52	4.66	3.18	4.01

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

Key Conclusions

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

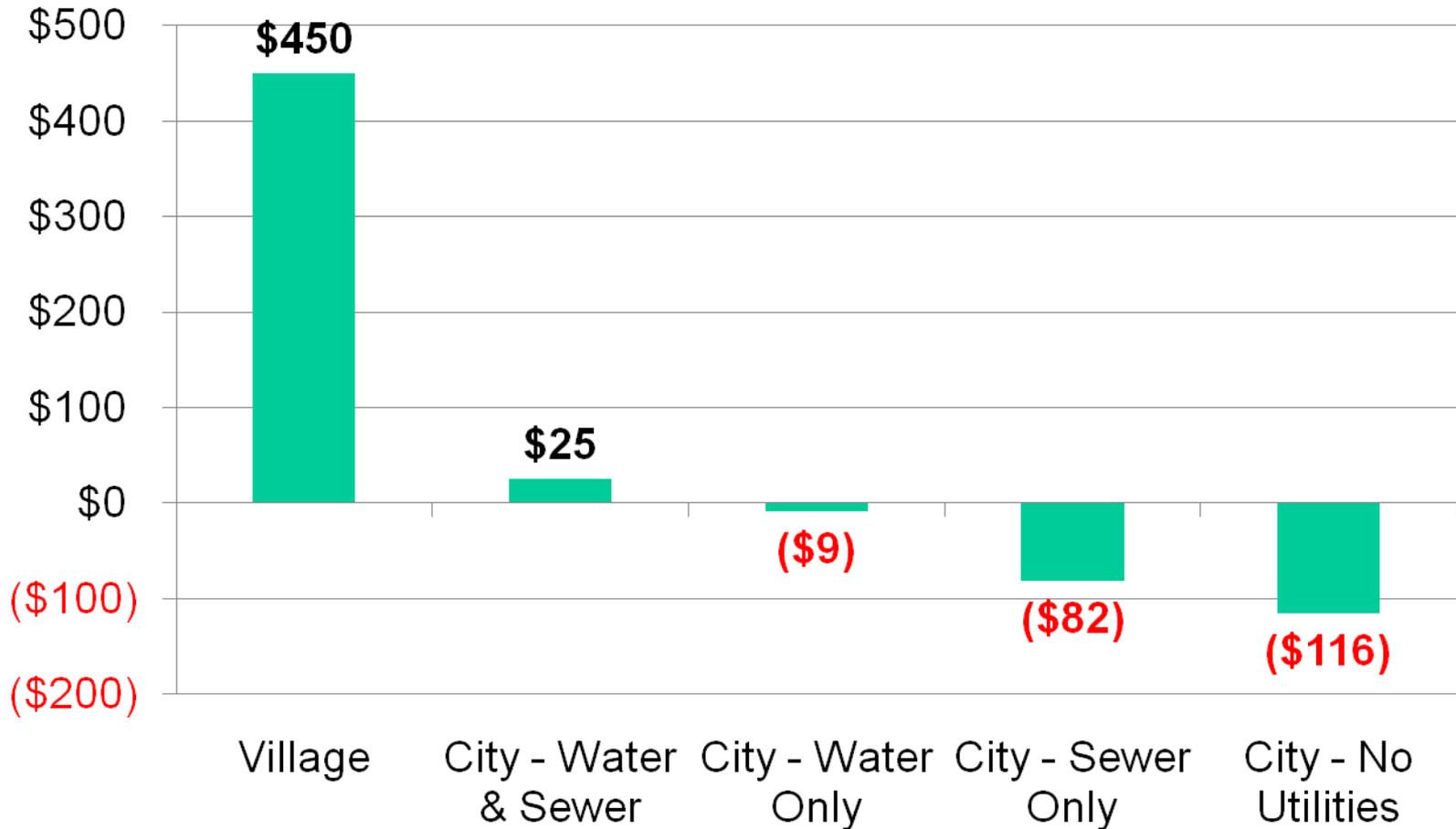
Estimated Impacts to a Typical Household—*Without Recommended Plan*

	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 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 Impacts to a Typical Household—*Without Recommended 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 recommended 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 recommended plan for consolidation proposes to use a combination of:

- A consolidation payment 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.

Wisconsin Statutes 66.0811 Municipal public utility revenues.

- (2) The income of a municipal public utility shall first be used to make payments to meet operation, maintenance, depreciation, interest, and debt service fund requirements, local and school tax equivalents, additions and improvements, and other necessary disbursements or indebtedness. Beginning with taxes levied in 1995, payable in 1996, payments for local and school tax equivalents shall at least be equal to the payment made on the property for taxes levied in 1994, payable in 1995, unless a lower payment is authorized by the governing body of the municipality. ***Income in excess of these requirements*** may be used to purchase and hold interest bearing bonds, issued for the acquisition of the utility; bonds issued by the United States or any municipal corporation of this state; insurance upon the life of an officer or manager of the utility; or ***may be paid into the general fund.***
- (3) A city, town or village may use funds derived from its water plant to meet operation, maintenance, depreciation, interest and debt service funds; new construction or equipment or other indebtedness for sewerage construction work other than that which is chargeable against abutting property; ***or the funds may be placed into the general fund to be used for general city purposes or in a special fund to be used for special municipal purposes.***

Wisconsin Statutes 66.0827 Utility districts.

(1) Towns, villages and 3rd and 4th class cities may establish utility districts.

(a) In villages and 3rd and 4th class cities, the village board or common council may direct that the cost of utility district **highways**, sewers, **sidewalks**, **street lighting** and water for fire protection not paid for by special assessment be paid out of the district fund under sub. (2). The cost of bridges in the district may not be paid out of the district fund.

(2) The fund of each utility district shall be provided by taxation of the property in the district, upon an annual estimate by the department in charge of public works in cities and villages, and by the town chairperson in towns, filed by October 1. Separate account shall be kept of each district fund.

Proposed Withdrawal from Village Utility Funds

	Village Sewer and Water Utilities, Total
Estimated Cash and Cash Equivalents, 12/31/09	\$8,855,483
Proposed Withdrawal to Make a Consolidation Payment 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

2008 Water Utility Data: Wisconsin Public Service Commission	Reserves	O&M Expense	Tax Expense	Debt Service	Ratio of Reserves to Expenses
C. Brookfield	\$4,527,926	\$2,319,198	\$997,012	\$1,720,829	0.90
C. Oconomowoc	\$7,414,241	\$1,287,196	\$337,009	\$126,907	4.23
V. Sussex	\$3,542,694	\$659,888	\$345,133	\$819,044	1.94
C. Waukesha	\$7,763,319	\$4,353,174	\$1,056,359	\$1,101,319	1.19
V. Hartland	\$455,176	\$709,016	\$180,844	\$48,630	0.49
C. Delafield	\$52,520	\$217,869	\$111,724	\$573,618	0.06
V. Menomonee Falls	\$6,961,944	\$3,270,777	\$1,081,721	\$1,660,553	1.16
Average					1.34
Ave, Excl. Ocon. & Delafield					1.14
C. Pewaukee Water	\$1,302,704	\$879,083	\$410,103	\$289,729	0.83
C. Pewaukee Sewer	\$3,039,643	\$1,498,778	\$0	\$1,026,573	1.20
V. Pewaukee Water	\$3,200,057	\$513,295	\$230,534	\$549,689	2.47
V. Pewaukee Sewer	\$5,950,698	\$879,857	\$0	\$762,057	3.62
Village Utilities Net of Proposed Withdrawal	\$3,357,582	\$1,393,152	\$230,534	\$1,311,746	1.14

Proposed Use of Consolidation Payment

- 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

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 would be created 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)

Key Conclusions

10. The recommended 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—*Recommended Plan*

2009 TID-in Equalized Value	\$3,801,547,800
Total Expenditures Net of Other Revenues ⁽¹⁾	\$11,656,114
Use of Consolidation Payment	(\$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 Consolidation Payment Plan

Estimated Impacts to a Typical Household—*Recommended 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

Details shown on Table 8 of 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 Impacts to a Typical Household—*Recommended Plan*

