



Wauwatosa, WI

Financial Affairs Committee

Meeting Agenda - Final

7725 W. North Avenue
Wauwatosa, WI 53213

Tuesday, June 11, 2024

7:30 PM

Committee Room #1 and Zoom:
<https://servetosa.zoom.us/j/81144274572>,
Meeting ID: 811 4427 4572

Regular Meeting

HYBRID MEETING INFORMATION

Members of the public may observe and participate in the meeting in-person or via Zoom at the link above. To access the Zoom meeting via phone, call 1-312-626-6799 and enter the Meeting ID.

CALL TO ORDER

ROLL CALL

FINANCIAL AFFAIRS COMMITTEE ITEMS

1. Consideration of request for a waiver of the competitive bidding process and approval of a contract with R&R Restorations for repairs to the Blanchard Street Pumping Station in the amount of \$154,620 [24-0877](#)
2. Consideration of amendment to Consolidated Purchasing Practices policy [24-0876](#)
3. 2025-2029 General Fund Financial Forecast [24-0718](#)

ADJOURNMENT

NOTICE TO PERSONS WITH A DISABILITY

Persons with a disability who need assistance to participate in this meeting should call the City Clerk's office at (414) 479-8917 or send an email to clerk@wauwatosa.net, with as much advance notice as possible.



Staff Report

File #: 24-0877

Agenda Date: 6/11/2024

Agenda #: 1.

Consideration of request for a waiver of the competitive bidding process and approval of a contract with R&R Restorations for repairs to the Blanchard Street Pumping Station in the amount of \$154,620

Submitted by:

David Simpson, Director of Public Works

Department

Public Works

A. Issue

In response to an incident that took place at the Blanchard Street pumping station, the City, in cooperation with our insurance company, would like to hire R&R Restoration to make repairs to the station in order to allow for completion of the ongoing capital improvement project.

B. Background/Options

On February 19, 2024 an incident occurred at the Blanchard Street water pumping station which is currently being upgraded by a contractor hired by the City as part of the City's Capital Improvement Program. An eighteen-inch diameter piece of steel riser pipe approximately six feet long detached during a pressure test. When the pipe detached it impacted and damaged a brick partition wall within the station. Observed damages due to the pipe detachment, impact and subsequent percussion forces include, but are not limited to the ceiling, a unit heater, metal double doors, and brick/mortar. Iron oxide debris particles from inside the piping system were also dispersed and coat most interior surfaces of the building. Fortunately, no one was injured in the incident.

Following the incident, the City's Insurance Carrier, Municipal Property Insurance Company (MPIC) was notified and a loss reporting form was completed and filed with MPIC. City staff met with MPIC on February 28th, 2024 to evaluate building damage as well as determine next steps in the forensic process needed to ultimately resolve the financial claim resulting from the incident. Per the recommendation from MPIC, R&R Restorations was contacted and provided a proposal to clean, repair, and restore the damage to the building for a sum of \$154,620 for which the City will only be responsible for a \$5,000 deductible. Given that MPIC has recommended this contractor and will be paying the majority of the costs associated with the contract we would like to utilize their services. The proposal does not include the cleaning of the sensitive electronic equipment which will be performed by a specialized contractor and will likely be a separate contract.

City staff is requesting approval to waive the competitive bidding process and approve a contract with R&R Restorations in the amount of \$154,620 to clean, repair, and restore the damage to the Blanchard Street water pumping station. MPIC is able to pay the contractor R&R directly for all costs over the \$5,000 deductible, however, the contract will be held by the City so approval is needed to enter into the contract.

C. Strategic Plan (Area of Focus)

N/A

D. Fiscal Impact

The Water Utility budget will be responsible for the \$5,000 deductible and the remaining amount will be paid directly to the contractor by MPIC. The City may or may not receive the \$5,000 deductible back pending the outcome of the forensic testing and insurance settlement process that will likely be lengthy.

E. Recommendation

Approval to waive the competitive bidding process and approve a contract with R&R Restorations in the amount of \$154,620 to clean, repair, and restore the damage to the Blanchard Street water pumping station



Staff Report

File #: 24-0876

Agenda Date: 6/11/2024

Agenda #: 2.

Consideration of amendment to Consolidated Purchasing Practices policy

Submitted by:

John Ruggini

Department:

Finance

A. Issue

The current Consolidated Purchasing Practices, revised February, 2024, requires additional clarification related to Section 12. Change Orders and Council Approval in order to streamline processes and avoid confusion.

B. Background/Options

Our current document has undergone several modifications to include procedures for Professional Consulting Services, Conflicts of Interest, Debarment and the use of Disadvantaged Business Enterprises.

In a review of our internal policies, we identified our current change order requirements as overly complicated and confusing. Currently, Council approval is required if the amount of any single change order is greater than \$25,000 or the cumulative total is greater than 15% of the contract amount.

In conferring with the City Attorney, it was determined that state statute does not require the \$25,000 threshold. In conferring with City Administration, the Purchasing Manager and several Department Directors, it was determined that the 15% threshold was more important and the \$25,000 threshold did not add sufficient benefit to justify the additional time of taking the item to the Common Council. In addition, having the dollar and percentage thresholds was confusing and redundant resulting in items being brought unnecessarily to Council for approval.

Below is the proposed change in red-line:

12. CHANGE ORDERS

- a. All Change Orders require Department Director approval through workflow in Tyler Munis
- b. Council Approval is required for change orders that:
 - i. Result in a new TOTAL purchase order amount that is greater than \$25,000 (this limit is \$50,000 for professional consulting services.)
 - ii. **Change order exceeds \$25,000 and in the case of Professional**

~~Consulting services, the total value of the Purchase Order will be greater than \$50,000~~

- iii. Cumulative total of change orders exceeds 15% of the original Purchase Order/Contract and the total new value of the Purchase Order or Contract is greater than \$25,000 (this limit is \$50,000 for professional consulting services)

The complete policy is attached for your information.

C. Strategic Plan (Area of Focus)

N/A

D. Fiscal Impact

None anticipated

E. Recommendation

It is the recommendation of the Purchasing Department to modify Section 12 of the Consolidated Purchasing Policy by removing item b. ii.

CITY OF WAUWATOSA

ADMINISTRATIVE POLICY AND PROCEDURE MANUAL

Subject: Consolidated Purchasing Practices

Date: July 1993

Revised: May 28, 2024

Purpose : To provide uniform direction regarding the expenditure of public funds for the purchase of goods and services within the provisions of current ordinances

Background: The legal structure for the purchase of goods and services are included in Chapter 3.20 of the Wauwatosa City Code.

Contracts may include escalator clauses or additional charges for labor and materials if as a result of general inflation and shall not exceed 15% of the amount of the bid. The purpose of this policy is to outline the requirements for the expenditure of public funds within those two legal standards.

Policy : The expenditure of public funds for the purchase of goods and services shall be consistent with the underlying principles of economy and efficiency. Economy calls for obtaining the quality good or service at the best price. Efficiency calls for developing a process that allows departments to complete their duties in a timely manner. The following procedures address the need for economy and efficiency. Thresholds detailed below may be adjusted if required by applicable laws or regulations.

The City encourages the use of Disadvantaged Business Enterprises (DBE) when soliciting quotes. A separate policy provides additional procedures for utilizing these vendors. Please refer to the Procurement Equity Policy (forth coming) for additional information.

Conflict of Interest: The City of Wauwatosa is committed to a fair, equitable and fully transparent procurement process to assure appropriate use of the public funds with which we are entrusted, and to doing it in a manner that treats employees fairly and protects them from accusations of bias or improper dealings.

Conflicts of Interest occur when a person has a real or perceived financial interest or opportunity to obtain anything of value for the private benefit of herself or himself or her or his immediate family or an organization with which the person is associated.

No individual with a real or apparent conflict of interest may participate in the selection, award or administration of contracts.

1. Purchases of \$10,000 or less, except for Capital Outlay. Purchase the item or service and enter the invoice into Tyler Munis and submit for appropriate approvals through workflow. Please note that while competitive quotes are not required, employees are expected to make the best purchase possible. Departments should strive to use the PCard whenever possible for these purchases in order for the City to maximize rebate revenue and improve processing efficiency. The PCard should not be used for any sized transaction if the transaction will incur a processing fee greater than 2% from the vendor. (Please refer to PCard Administrative Policy)

2. Capital Outlay Purchases. A Capital Outlay is any single item that exceeds \$10,000 in cost and is a long-lived tangible asset. Capital Outlay items should be ordered using the Requisition to Purchase Order module in Tyler Munis unless the purchase is being made using the City's Pcard and there is no transaction fee imposed by the vendor. All transactions require appropriate approvals through workflow. An object in the 7000 series of the Chart of Accounts should be used so the item is properly capitalized.
3. Purchases over \$10,000 to \$25,000. Purchases made for items falling within this range require three (3) quotes. Departments must contact the purchasing manager if there are unique circumstances that prevent three (3) quotes from being obtained. Those circumstances must be documented regardless of the manner in which the item or service is being made. Purchases can be made utilizing the City's procurement card, or by using the Requisition to Purchase Order module whenever possible. Prior to submitting a Requisition Form, the using department shall attempt to obtain three written price quotations under Section 3.20.060 and shall include scanned copies of the quotations they obtained to the Requisition for review and approval. Quotes and other documentation relevant to the purchase must also be attached to the receipt when utilizing the Procurement Card. The Purchasing Manager may obtain additional quotations consistent with the principles of economy and efficiency. Departments are encouraged to use the Bid Management module to electronically solicit bids.
4. Purchases for Non-Professional Services over \$25,000. The using department shall prepare draft specifications and submit them to the Purchasing Department for the purchase of a good or service in excess of \$25,000. The Purchasing Department shall review the draft specifications for completeness and to ensure that they invite open competition. The Requesting Department shall issue the specifications and invite sealed bids in accordance with Chapter 3.20.050 of the Wauwatosa City Code. Departments are encouraged to use the Bid Management module to electronically solicit bids.
5. Co-Operative Agreements/State Contracts - Using departments may make purchases from another unit of government, including the state or federal government or public cooperative buying group, provided the price of the purchase was set by open, competitive bids. Utilizing one of these agreements will waive the requirement of obtaining three written quotes. Cooperative agreements must be reviewed prior to use to determine that the following conditions are met:
 - a. The contract must be open for the use of other states/agencies and the contract term has not expired.
 - b. Prices must be the same or better than those the City could expect to obtain if a bid or RFP was conducted.
 - c. Terms and conditions are acceptable to the City and consistent with the City's standard terms and conditions.
6. Public Construction Purchases over \$25,000. The Public Works Department shall prepare and submit to the Board of Public Works specifications for public construction projects, the cost of which is estimated to exceed \$25,000. The City shall advertise the project and shall open sealed bids in accordance with Section 62.15 of the Wisconsin statutes. Awarded bids should be entered as contracts into Tyler MUNIS.

7. Purchases for Professional Consulting Services - Professional Consulting Services are defined as services of a unique nature for which price is typically not the major differentiating factor between firms and work product represents intellectual property and is deliverable based, such as engineering services, legal, land use planning and financial analysis.

Professional Consulting Services Not Exceeding \$50,000. For the procurement of professional consulting services greater than \$10,000 but not more than \$50,000, the Purchasing Department is authorized to utilize informal methods and procedures for acquisition of such services. Generally, procurement of such services will be obtained through quotation or informal written solicitation. Request for proposal (RFP) remains the preferred process, however, recognizing there are unique situations and circumstances, the Finance Director can waive the RFP process. Contracts will be reviewed and approved by both the Financial Director and the City Attorney.

Professional Consulting Services equal to or greater than \$50,000 but less than \$100,000

1. Develop a scope of services and determine necessary qualifications.
2. Select a firm from a prequalified list developed by either the requesting department, firms certified by the Department of Transportation (DOT) or registered Disadvantaged Business Enterprise (DBE) for the services required and solicit a proposal from such firm, which proposal will serve as the basis for negotiation of a contract.
3. If an acceptable agreement cannot be negotiated with the selected prequalified firm, negotiations will cease and the requesting Department Director may select another firm from the list and follow the same procedures.
4. Once an acceptable agreement is negotiated with a prequalified firm, as defined in 7.2 above, the contract can be awarded with approval from the Finance Director and the City Attorney so long as budgeted funds are available.
5. If the professional service is over \$50,000 and no prequalified list exists for the service requested, the Department Director will develop and issue a Request for Proposal.
6. Upon the successful evaluation of the responses and completion of the negotiations, the City will issue a contract award with Common Council approval.

Professional Consulting Services Equal to or greater than \$100,000

1. A request for proposals must be utilized unless there are special circumstance for which Council approval is then required to waive this provision.
2. Responses will be evaluated by City staff against the criteria set for in the request for proposals.
3. Upon the successful evaluation of the responses and completion of the negotiations, the City will issue a contract award with Common Council approval.

Annual Report

An annual report will be provided to the Financial Affairs Committee listing all professional services contracts, method of award and their dollar value.

8. CONTRACT

1. City Departments procuring any type of consulting or professional service are required to utilize and include the City's **Standard General Terms and Conditions Document** for **each** project . (See attached Exhibit "1"). The Standard contract is subject to

modification for individual circumstances and shall include hourly rates.

2. Terms and Conditions Documents require review and approval by the City Attorney. If the terms and conditions are being amended, the Agreement to Amendment form must be used (see attached Exhibit 3) and requires review and approval by the City Attorney. The Amendment form is to be attached as the cover page to the Terms and Conditions document and will become the signature page.
3. Multi-year contracts must be entered into Tyler MUNIS as unencumbered contracts.
4. All contract documents including terms and conditions must be attached. Annual purchase orders, or direct pay invoices, must be issued against the contract.

9. PREQUALIFICATION PROCESS FOR SKILLED TRADES

The Director of Finance is authorized to determine that a process for mandatory prequalification is appropriate for the procurement for a particular skill or professional discipline (Examples: Roofing, HVAC, Electrical, Plumbing, etc.) subject to these requirements:

- a. Criteria for prequalification shall be reasonably related to the project or the service, which criteria for prequalification shall be available to any prospective offeror requesting such information. The Purchasing Department will request the prequalification information and establish a list of vendors with current hourly rates to perform minor or emergency services not to exceed \$25,000, unless the selected vendor is a certified DBE which limit shall be \$30,000.
- b. The Director of Finance is authorized to establish a standing list of firms prequalified for a type of service whose professional services are sought on a regular and standardized basis.
- c. Final lists of Prequalified Consultants must be approved by Council. Prequalified lists will be retained for a period of three (3) years, subject to Council Approval.

10. DEBARMENT –

Prior to committing to any purchase or contract \$25,000 or more, the purchasing department will check the online Federal System for Award Management (SAM) to determine whether any relevant party is subject to any suspension or debarment restrictions. (Note: Particular attention should be made when making multiple smaller purchases with the same companies or firms so as not to exceed the threshold limit without proper documentation.)

Certification of Debarment Status language is incorporated in the City's Standard General Terms and Conditions Contract which is required for all professional consulting service purchases.

If the Standard General Terms and Conditions contract is not utilized, the requesting Department will include a signed Debarment Certification Form (See attached Exhibit 2) from the vendor.

11. APPROVAL THRESHOLDS

Department Directors may designate an employee(s) as a "Business Manager". Designated employees have the ability to approve purchasing transactions up to \$10,000. Purchases

up to \$25,000 require the Department Directors approval. Purchases greater than \$25,000 require approval from the Finance Department. Approvals are completed electronically within Tyler MUNIS.

12. CHANGE ORDERS

- a. All Change Orders require Department Director approval through workflow in Tyler Munis
- b. Council Approval is required for change orders that:
 - i. Result in a new TOTAL purchase order amount that is greater than \$25,000 (this limit is \$50,000 for professional consulting services.)
 - ~~ii. Change order exceeds \$25,000 and in the case of Professional Consulting services, the total value of the Purchase Order will be greater than \$50,000~~
 - iii. Cumulative total of change orders exceeds 15% of the original Purchase Order/Contract and the total new value of the Purchase Order or Contract is greater than \$25,000 (this limit is \$50,000 for professional consulting services)

13. MISCELLANEOUS

1. Employees may make purchases on behalf of the City, when necessary, using personal cash. Reimbursement for such purchases shall be documented by use of the City's Employee Reimbursement procedure. The employee will use Tyler Munis to enter the request and attach the receipt for the purchase. As in item 1. above, the employee should strive to use the PCard whenever possible for these purchases in order for the City of maximize rebate revenue and improve processing efficiency. The procedure above may also be used to request a check in advance of making a purchase such as a subscription, registration at a conference, etc.
2. Projects may not be subdivided or aggregated in order to meet the dollar thresholds described above.
3. In an emergency, in which essential utilities or services have been interrupted which city employees are unable to perform and the timing of the repairs is critical, Department Directors are authorized to a utilize a pre-qualified vendor, or, if a prequalified vendor list does not exist, then to engage a qualified vendor to make the repairs. If possible, the Purchasing Manager should be consulted. Once the emergency has been alleviated, the department director shall document the nature of the emergency, calculate the final cost of the emergency repair and report the expenditure to the Financial Affairs Committee and Common Council as soon as possible.
4. Wauwatosa Housing Repair and Rehabilitation Program – Services purchased by private property owners and funded in part or whole by the City of Wauwatosa's Housing and Repair and Rehabilitation Program shall be governed by the most current "Housing and Rehabilitation Policy and Procedures Manual" as approved by the Community Development Authority.

Exhibit 1. City of Wauwatosa – Standard General Terms and Conditions Contract

City of Wauwatosa

GENERAL TERMS AND CONDITIONS for attachment to Purchase Order (# to be assigned) for:

Project Name: _____ (“Services”)

Provided by: _____ (“Contractor/Consultant”)

(Name of Firm)

Address: _____

These GENERAL TERMS AND CONDITIONS are intended to apply as an appendix to the Purchase Order for Services to be provided by the Contractor/Consultant and to which these GENERAL TERMS AND CONDITIONS are attached, and shall apply to said transaction as though fully set forth therein.

1. **INDEPENDENT CONTRACTOR.** Subject to the terms and conditions of this Agreement, the City hereby engages the Contractor/Consultant as an independent contractor to perform the services set forth in the City’s Request dated _____ and the Contractor/Consultant hereby accepts such engagement.
2. **DUTIES, TERM, and COMPENSATION.** The Contractor/Consultant’s duties, term of engagement, compensation and provisions for payment thereof shall be as set forth in the Proposal previously provided to the City by the Contractor/Consultant and which is attached to and included with this Purchase Order, which may be amended in writing from time to time, or supplemented with subsequent estimates for additional services to be rendered by the Contractor/Consultant and agreed to by the City, and which collectively are hereby incorporated by reference.
3. **EXPENSES.** During the term of this Agreement, the Contractor/Consultant shall bill and the City shall reimburse the Contractor/Consultant for all reasonable and approved out of pocket expenses which are incurred in connection with the performance of the duties hereunder. Notwithstanding the foregoing, unless otherwise stated in the City’s Request, expenses for the time spent by the Contractor/Consultant in traveling to and from the facilities shall not be reimbursable.
4. **DELIVERABLES PER THE RFP.** The Contractor will perform all services (and provide reports if required) as detailed in City’s Request as stated above, **and your response dated :** _____.
5. **CONFLICTS OF INTEREST.** The Contractor/Consultant represents that they are free to enter into this Agreement, and that this engagement does not violate the terms of any agreement between the Contractor/Consultant and any third party. Further, the Contractor/Consultant, in rendering their duties shall not utilize any discovery, development, improvement, innovation, or trade secret in which they do not have a proprietary interest. During the term of this Agreement, the Contractor/Consultant shall devote as much of their productive time, energy and abilities to the performance of Contractor/Consultant’s duties here under as is necessary to perform the required duties in a timely and productive manner. The Contractor/Consultant is expressly free to perform services for other parties while performing services for the City.
6. **TERMINATION.** Unless otherwise stated in the City’s Request, the City may terminate this Agreement at any time by providing thirty (30) days written notice to the Contractor/Consultant. In addition, if the Contractor/Consultant is convicted of any crime or offense, fails or refuses to comply with the written policies or reasonable directive of the City, is guilty of serious misconduct in connection with performance hereunder, or materially breaches provisions of this Agreement, the City at any time may terminate the engagement of the Contractor/Consultant immediately and without prior written notice to the Contractor/Consultant.

7. INTELLECTUAL PROPERTY. Any and all intellectual property created or invented by Contractor/Consultant in performance of this contract shall become the property of the City, along with any associated rights appertaining thereto.
8. PUBLIC RECORDS. Contractor/Consultant understands that, as this is a contract for services provided to a public agency in the State of Wisconsin, all records and documents associated with or created as part of the performance of this contract are subject to compliance with the Wisconsin Public Records Law, which requires that records be maintained in an accessible format, and in appropriate circumstances, such documents may be required to be released upon request by a member of the public. Contractor/Consultant agrees that any records it maintains on behalf of the City shall be maintained and shall be made available upon request as required by the Wisconsin Public Records Law.
9. INSURANCE. Unless otherwise specified in this Agreement, the Contractor/Consultant shall, at its sole expense, maintain in effect at all time during the performance of the Work, adequate Liability, Property Damage and Worker's Compensation Insurance. Certificates verifying this coverage, any required endorsements (including errors and omissions), and the amounts indicated shall be furnished to the City before work commences on this project.

All policies for insurance must be endorsed to contain a provision giving the City at least ten (10) days prior written notice of any cancellation of the policy or material change in coverage.

(a) Worker's Compensation Insurance: Statutory coverage as required by Chapter 102 of the Statutes of the State of Wisconsin, as revised, and all acts amendatory thereof and supplementary thereto, and for all employees of the Contractor/Consultant and his subcontractors.

(b) Comprehensive General Liability and Property Damage Insurance: Coverage to include premises and operations subject to the following limits:

Bodily Injury.....	\$1,000,000 per occurrence
	\$1,000,000 aggregate
Property Damage...	\$ 500,000 per occurrence
	\$ 500,000 aggregate

(c) Comprehensive Automobile Liability and Property Damage:
Operators of owner, hired and non-owned motor vehicles.

Bodily Injury	\$ 500,000 per person
	\$ 1,000,000 per occurrence
Property Damage....	\$ 500,000 per occurrence
Umbrella.....	\$ 5,000,000 each occurrence

(d) Professional Liability

A. Limits

- (1) \$2,000,000 each claim
- (2) \$2,000,000 annual aggregate

B. Must continue coverage for two (2) years after final acceptance of service/job/work.

NOTE: The required limits of liability may be obtained with primary liability policies or in combination with an umbrella excess third party liability policy.

INDEMNIFICATION.

To the fullest extent allowable by law, the Contractor/Consultant hereby indemnifies and shall defend and hold harmless the City, its elected and appointed officials, officers, employees, or authorized representatives or volunteers and each of them from and against any and all suits, actions, legal or administrative proceedings, claims demands, damages, liabilities, interest, attorneys' fees, costs, and expenses of whatsoever kind or nature whether arising before, during or after completion of the work hereunder and in any manner directly or indirectly caused, occasioned, or contributed to in whole or in part or claimed to be caused, occasioned, or contributed to in whole or in part, by reason of an act, omission, fault, or negligence, whether active or passive, of the Contractor/Consultant or of anyone acting under its direction or control or on its behalf in connection with or incident to the performance of this Agreement regardless if liability without fault is sought to be imposed on the City. The Contractor/Consultant's aforesaid indemnity and hold harmless agreement shall not be applicable to any liability caused by the sole fault, sole negligence, or willful misconduct of the City or of the City's representatives. This indemnity provision shall survive the termination or expiration of this Agreement. In any and all claims against the City, or any of its directors, officers, employees, or authorized representatives or volunteers by an employee of the Contractor/Consultant, and subcontractor, or anyone for whose acts any of them may be liable, the indemnification obligation under this paragraph shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the Firm or any subcontractor under Worker's Compensation Acts, Disability Benefit Acts, or other employee benefit acts.

No provision of this Indemnification clause shall give rise to any duties not otherwise provided for by this Agreement or by operation of law. No provision of this Indemnity clause shall be construed to negate, abridge, or otherwise reduce any other right or obligation of indemnity that would otherwise exist as to the City under this or any other contract. This clause is to be read in conjunction with all other indemnity provisions contained in this Agreement. Any conflict or ambiguity arising between any indemnity provisions in the Agreement shall be construed in favor of indemnified parties except when such interpretation would violate the laws of the state in which the job site is located.

The Contractor/Consultant shall reimburse the City, or any of its directors, officers, employees, or authorized representative or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. The Contractor/Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City, or any of its directors, officers, employees, or authorized representative or volunteers.

10. CHOICE OF LAW AND VENUE. The laws of the State of Wisconsin shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties thereto, and venue for resolution of any disputes or actions regarding this Agreement shall be in a tribunal having physical jurisdiction over the City of Wauwatosa, Milwaukee County, Wisconsin.
11. WAIVER. Waiver by one party hereto of breach of any provision of this Agreement by the other shall not operate or be construed as a continuing waiver.
12. ASSIGNMENT. The Contractor/Consultant shall not assign any of their rights under this Agreement, or delegate the performance of any of Contractor/Consultant's duties hereunder, without the prior written consent of the City.
13. MODIFICATION OR AMENDMENT. No amendment, change or modification of this Agreement shall be valid unless in writing signed by the parties hereto.

14. ENTIRE UNDERSTANDING. This document and any Exhibit attached constitute the entire understanding and agreement of the parties, any and all prior agreements, understandings, and representations are hereby terminated and canceled in their entirety and are of no further force and effect.
15. UNENFORCEABILITY of PROVISIONS. If any provision of this Agreement, or any portion thereof, is held to be invalid and unenforceable, then the remainder of this Agreement shall nevertheless remain in full force and effect.
16. DEBARMENT. Your signature below certifies that neither you nor your principal is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal Department or Agency.

If you are "Actively" registered with SAMS (Service for Award Management), please provide the UEI (Unique Entity ID) number that has been assigned to you:

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the day and year first written above. The parties hereto agree that facsimile signatures shall be as effective as if originals.

City of Wauwatosa

BY: _____

Name/ Title

Contractor Name: _____

BY: _____

Name/ Title

Dated: _____

Dated: _____

Reviewed as to form by:

Wauwatosa City Attorney

By: _____

Alan Kesner

Dated: _____

NOTE: All modifications to this document must be submitted as an Amendment requiring both City Attorney and Contractor Approval.

Exhibit 2. City of Wauwatosa – DEBARMENT CERTIFICATION FORM

The Contractor certifies that, neither the Contractor firm nor any owner, partner, director, officer, or principal of the Contractor, nor any person in a position with management responsibility or responsibility for the administration of federal funds:

(a) Is presently debarred, suspended, proposed for debarment, and declared ineligible or voluntarily excluded from covered transactions by any federal or state department/agency;

(b) Has within a three-year period preceding this certification been convicted of or had a civil judgment rendered against it for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public transaction or contract (federal, state, or local); violation of federal or state antitrust statutes; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) Is presently indicted for or otherwise criminally or civilly charged by a governmental entity (federal, state, or local) with commission of any of the offenses enumerated in paragraph (b) above; or

(d) Has within a three-year period preceding this certification had one or more public transactions or contracts (federal, state, or local) terminated for cause or default.

(e) If the contractor is "Actively" registered with SAMS (Service for Award Management), the following UEI (Unique Entity ID) number has been assigned: _____

The Contractor further certifies that it shall not knowingly enter into any transaction with any subcontractor, material supplier, or vendor who is debarred, suspended, declared ineligible, or voluntarily excluded from covered transactions by any federal or state department/agency.

Dated this _____ day of _____, 20 _____

By _____
Authorized Signature for Contractor

Printed Name and Title

EXHIBIT 3. AGREEMENT TO AMENDMENT(S)

CITY OF WAUWATOSA
AGREEMENT TO AMENDMENT(S)
TO CITY OF WAUWATOSA GENERAL TERMS AND CONDITIONS

Project Name: _____

Date: _____

This Amendment ("Amendment") is made by _____
(Contractor/Consultant) and The City of Wauwatosa (the "Agreement").

The parties hereby agree to the attached Wauwatosa General Terms and Conditions with the following amendment(s):

Except as set forth in this Amendment, Agreement is unaffected and shall continue in full force and effect in accordance with its terms. If there is a conflict between this amendment and the Agreement or any earlier amendment, the terms of this amendment will prevail.

City of Wauwatosa

By: _____
Printed Name: _____
Title: _____
Dated: _____

(Name of Contractor/Consultant)
By: _____
Printed Name: _____
Title _____
Dated: _____

Agreed as to Form:
City of Wauwatosa

By: _____
City Attorney
Dated: _____



Wauwatosa, WI

7725 W. North Avenue
Wauwatosa, WI 53213

Staff Report

File #: 24-0718

Agenda Date: 6/11/2024

Agenda #: 3.

2025-2029 General Fund Financial Forecast

Submitted by:

John Ruggini

Department:

Finance Department

A. Issue

Due to the size of the document, the report is included as an attachment

Issue: In preparation for the 2025 Budget, it is helpful to understand long-term revenue and expenditure trends for the General Fund.

Background: The 2025-2029 forecast was developed using the same methodology as the previous five-year forecast. Revenues and expenditures were grouped into like-categories and forecast assumptions were developed for each category based on historical data or known information such as the state budget. Those assumptions are applied to the 2024 Budget figures. It is important to emphasize that the forecast is policy neutral as it assumes the same services are provided with the same number of personnel and delivered in the same manner.

The model used to project the annual budget gap the City will face is for planning purposes. It is not meant to suggest that the City will not make any service changes, will deficit or will use fund balance. As in prior years, the budget will be balanced in each year. The model does not include any service level changes and does not assume what decision might be made to balance the budget. It does reflect the policy positions included in the Financial Resiliency policy as described below.

It is important to review the assumptions and sources for forecasted information.

Base Assumptions

- A 2.0% property tax levy increase for the operating budget and 0.5% for debt service for a total 2.5% Property tax levy increase is assumed for 2025-2029. It is assumed the City loses its ability to exceed levy limit caps in 2029 and that there is \$127 million in net new construction in 2028 limiting the 2029 operating budget property tax levy increase to 1.3%

Property Tax Levy Increase Assumptions

	Operating Budget Increase	Debt Service Increase	Total Increase
2025-2028	2.0%	0.5%	2.5%
2029	1.3%	0.5%	1.8%

- Per the Department of Revenue, a 2.3% increase in State Shared Revenue and assuming the change in CPI thereafter. A 3.4% decrease in Expenditure Restrain Aid is assumed due to the growth in the City's property value. Other State and Federal revenue are assumed to be flat over the five-year period
- There is no assumed utilization of the America Rescue Plan federal funds set aside for budget stabilization.
- Inflation assumed to be 2.5% in 2025 and 2.6% in 2026 and 2.2% in 2027-2029 based on Congressional Budget Office forecasts.
- Assumed use of General Fund Surplus remains \$0.

- Annual cost of living increases in each of the five years based on inflation and current labor agreements. Typically the budgeted cost of living increase is based on the May over May change in the Consumer Price Index which is estimated to be 2.75%. Given prior year's inflation that exceeded cost of living increases, this was rounded up to 3.0%. We are out of contract with the Fire Union as of 12/31/23 so estimates are used for their 2025-2029 cost of living adjustments.
- Pension contributions decrease .15 percentage points for employees and for the City. This is due to an increase in the 5-year investment returns earned by the Wisconsin Retirement Fund.
- Debt service based on 10-year capital spending reflected in 2024-2028 capital plan. Debt amortization continues to transition to a 15 year debt schedule as compared to a previous 10-year.
- Energy and fuel increases based on Department of Energy's 2024-2028 forecast assuming 2024 budgeted consumption.
- Building permit activity based on an approximate 25-year average of \$138,000,000 of construction activity.
- Interest earnings based on current portfolio size adjusted for known changes (such as the utilization of American Rescue Plan funds) and current portfolio earnings rate. Future interest rates based on the Congressional Budget Office Treasury bill forecast.
- Assume gradual increase in number of citations issued based on trend since 2021.
- Parking enforcement continues gradual increase but does not return to pre-COVID levels. Peaks in 2025 and a 2% annual decrease assumed thereafter as enforcement drives compliance. Also assume a 10% increase in fees in 2026 and a 5% every 5 years thereafter.
- 1.5% increase in ambulance billed run from 4,320 estimate for 2024 based on activity to date. Also 2.0% annual increase to 2024 average reimbursement rate per trip.
- No change in number of hotel rooms. Assume 2023 actual average tax revenue per room adjusted annually based on third-party reports.

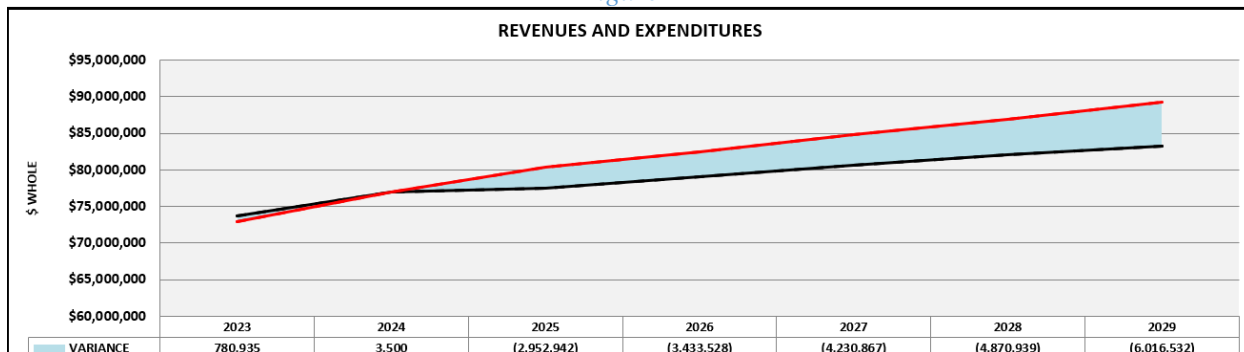
Figure 1 shows a comparison between the 2025-2029 and 2024-2028 forecasts. The new forecast shows a total 5-year gap of \$6.0 million or approximately a 77% worsening over the prior five-year forecast. Reasons for the worsening will be described below.

Figure 1

	2024-2028	2025-2029
2024	722,834	-
2025	(1,318,022)	(2,956,442)
2026	(593,023)	(480,586)
2027	(405,312)	(797,339)
2028	(1,813,477)	(640,071)
2029		(1,145,593)
TOTAL	(3,407,000)	(6,020,031)
		77%

The five year-forecast demonstrates the persistence of a structural deficit that will continue to threaten service levels. This deficit is depicted in Figure 2.

Figure 2



Over the five year period, expenditures grow on average 2.5% (down from the 3.4% from the prior forecast) while revenues are growing 2.1% (down slightly from 2.6% in the prior forecast). A 0.3% percentage point differential. It is important to explain that while a five-year period is shown here, the gap would continue if additional years were shown. The only way to permanently fix the gap is to change the trend lines themselves - increase revenue growth, limit expenditure increases or preferably, a combination of both.

As a result of the differential between revenues and expenditures, the City will face an annual budget gap. If fund balance were simply used each year to balance the budget, the gap would grow to \$6.0 million by 2029 and unreserved fund balance would drop from \$9.8 million in 2024 to 0 by 2027 as shown in Figure 3. As a result, it is imperative that the budget gap is addressed each year through sustainable changes as the City has successfully done in prior years. A balanced approach is recommended that focuses on expenditure reductions, revenue increases and economic development that grows the property tax base.

Figure 3

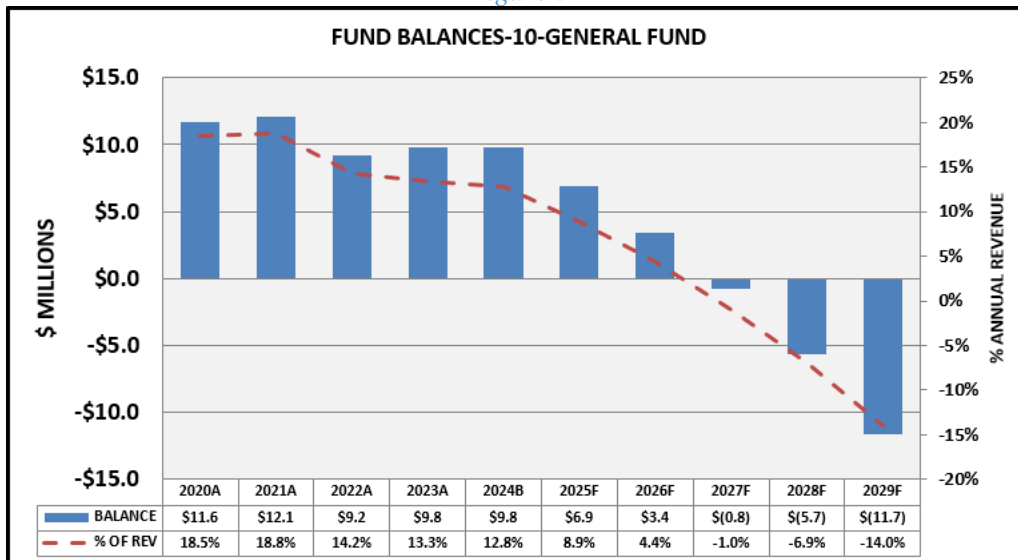
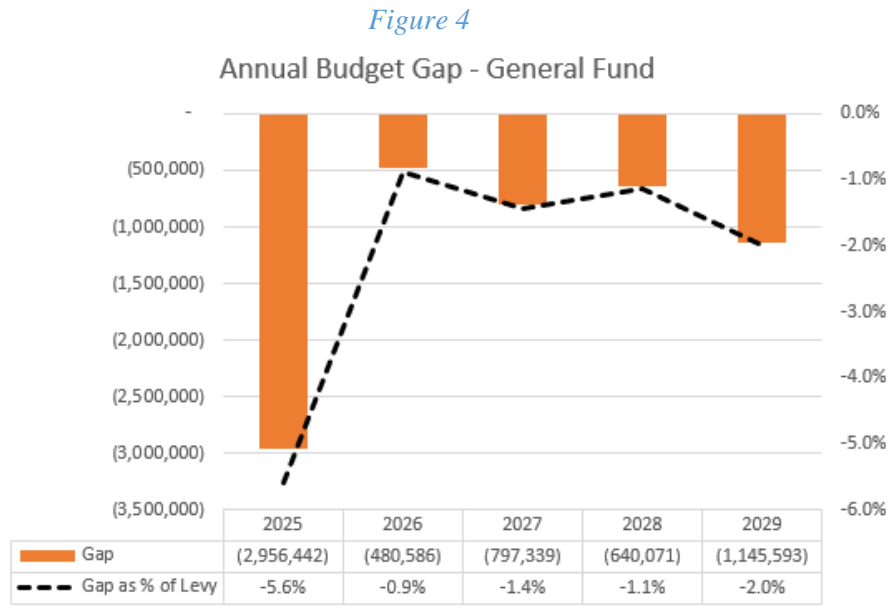


Figure 4 shows the annual forecasted budget gap. If sustainable changes are implemented, it represents the annual budget gap and it ranges from a 0.9% to a 5.6% deficit as a percentage of total property tax levy. While this may not seem significant it is important to consider that the City has been actively reducing costs since 2002.



It is illustrative to look at the 2024 gap to understand the main drivers of the structural deficit.

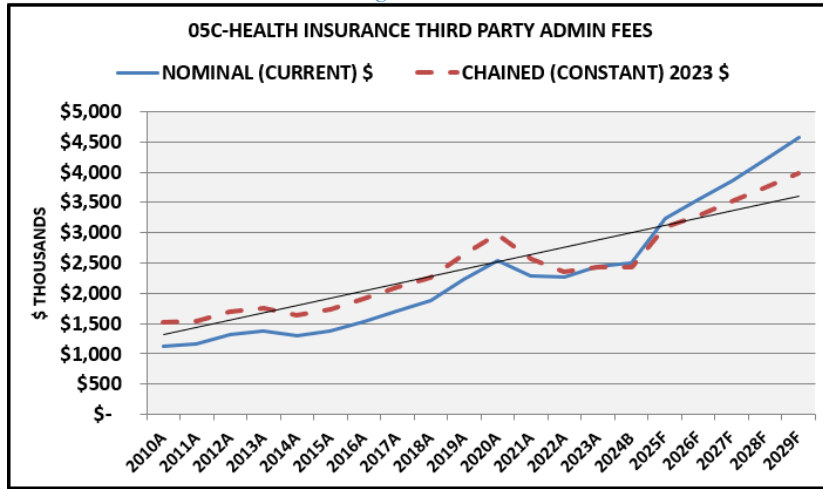
Expenditures

Compensation

An assumed cost of living increase and implementation of the new compensation plan is built into each year of the model as well as assumptions related to fringe benefits. In total, wages are expected to increase 3.9% which totals \$1.2 million. This includes an assumed 3.0% cost of living increase for non-represented employees and a contractual increase for the police union that is estimated at 4.8%. Since the fire union is out of contract, the terms of the police union contract were assumed. It is important to note that the forecast assumes that step increases (the annual increase in pay that employees earn) are budget neutral; funded through natural turnover, the salary differential between the higher paid incumbent versus the lower paid new hire. However, it is likely in 2025 or 2026, step increases in the police department will not be budget neutral. This is due to the higher than normal amount of turn over and is not included in the forecast.

In 2025, health and dental insurance costs charged to the general fund increase 16.4% due to an assumed 3.0% increase in health care claim costs and a 30% stop loss excess insurance increase. This accounts for \$1.2 million increase in expenditures. Employees are assumed to continue to contribute 15% of total premium. The huge increase in stop loss excess insurance is due to negative large claim experience in late 2023 and 2024. In the first quarter of 2024, the City had 6 claimants with claims exceeding \$100,000 compared to 1 during the same period in 2023. The chart below shows the dramatic increase in the cost of this insurance.

Figure 5

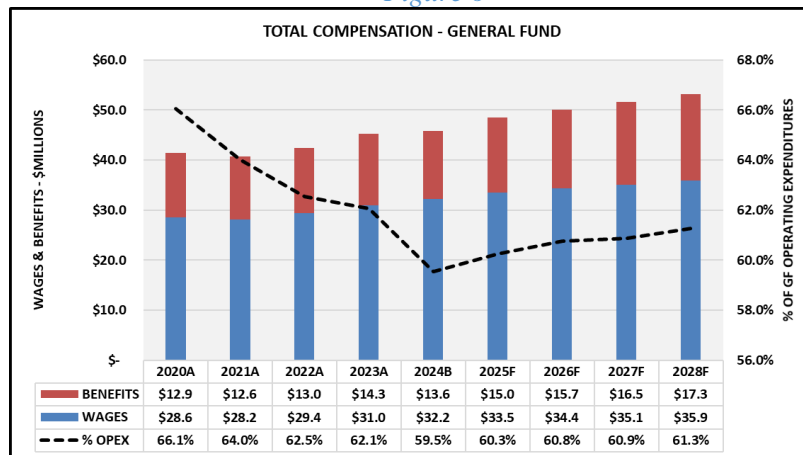


Pension and social security costs will increase along with salary; however that increase is mitigated to 2.5% by an assumed reduction in the employer pension contribution rate (which is equal to the employee contribution) from 6.9% to 6.75% for general employees. Due to multiple factors, there is a different employer contribution rate for police and fire but this rate too is assumed to decrease by 15 percentage points. This is due to above assumed interest earnings over the past five years by the Wisconsin Retirement System. In addition, worker compensation costs are assumed to increase at the rate of healthcare inflation.

In total, benefit costs will increase \$1.4 million or nearly 10.4 %.

As a result, when including all of these changes, compensation increases 5.8% in 2025 for a total of \$2.65 million as shown in Figure 6 and compensation as a percentage of operating expenditures begins to grow. To put this in perspective, the City will receive a decrease of \$40,369 in State Shared revenues. Act 12 passed last year by the State which was acclaimed as a generational increase in state shared revenue did not fundamentally change how broken local government funding is in the state of Wisconsin.

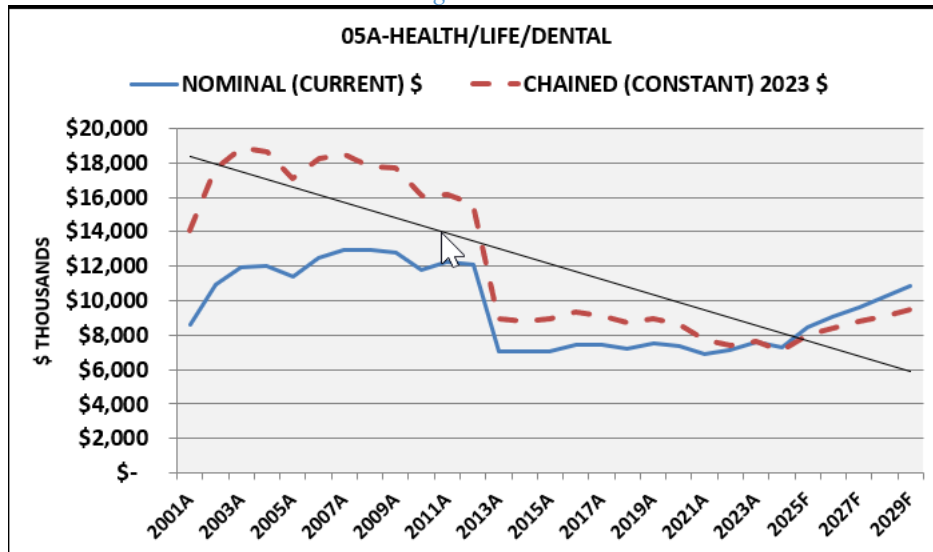
Figure 6



The City has aggressively managed healthcare costs through plan design changes, including changing its third party administrator in 2008, moving to a high deductible plan in 2012, opening an employee clinic in 2016 as well as cost and risk-sharing with employees including changes to deductibles in 2018 and most recently, migration to a narrow network in 2024. In addition, a pension contribution was implemented in 2011. This

can be seen in Figure 7 as the cost of health and life insurance in the general fund (the property tax impact) on an inflation adjusted basis is less in 2024 than it was in 2002 despite southeast Wisconsin having the some of the highest medical inflation rates in the country, typically exceeding 10%. However, the five-year forecast does not assume that the City will be able to maintain this historical experience.

Figure 7



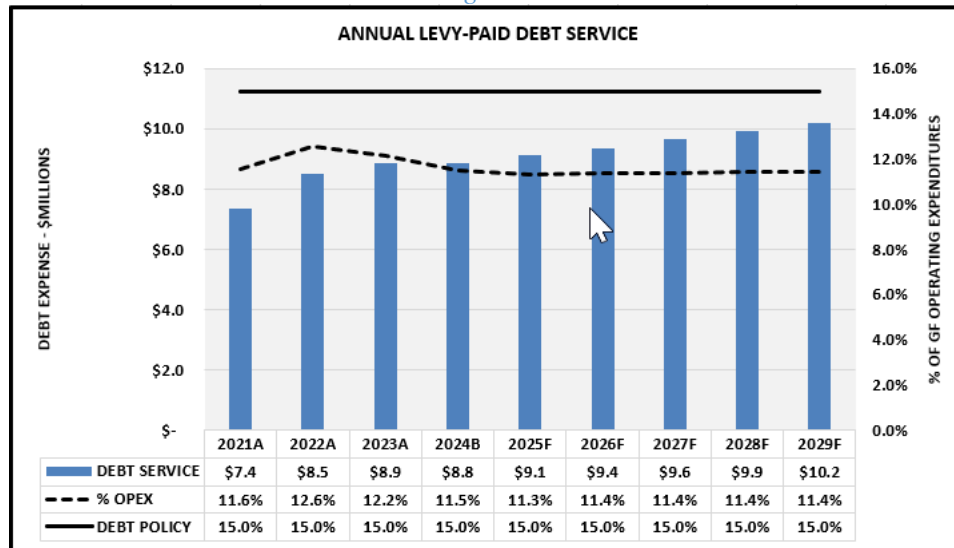
Debt Service

As discussed in prior reports and presentations, debt service will continue to increase as the City expands its capital improvement plan to address deferred maintenance and flooding. As part of this plan, levy-paid debt service (e.g. excluding sewer, water and TIF debt) is estimated to increase in 2025 by approximately \$298,193 or 3.4% increase from 2024. It is important to note that in prior forecasts, debt service was assumed to increase 5-7% annually. The reduction is the result of utilizing \$950,000 annually of property taxes generated by the portion of the hospital complex that became taxable in 2022 to cash finance capital (and borrow less). Should the hospitals be successful in their appeal of that decision, the City would have to replace this cash financing with borrowing.

The impact of this expense over the course of the forecast is based on the borrowing necessary to support the implementation of the 2024-2028 capital budget and is shown below in Figure 8. Increases have been limited to an approximate 1.0% property tax increase per year prior 2022 at which point it transitioned to 0.5% due to the additional revenue described above.

The City raised its stated policy maximum to 15% debt service as a percentage of operating expenditures in 2021 and the forecast remains under this benchmark. Debt service for capital spending is expected to peak in approximately 2037 for levy funded capital assuming current capital spending. It should be noted however, that current capital spending is insufficient for the City to adequately maintain its roads and buildings.

Figure 8



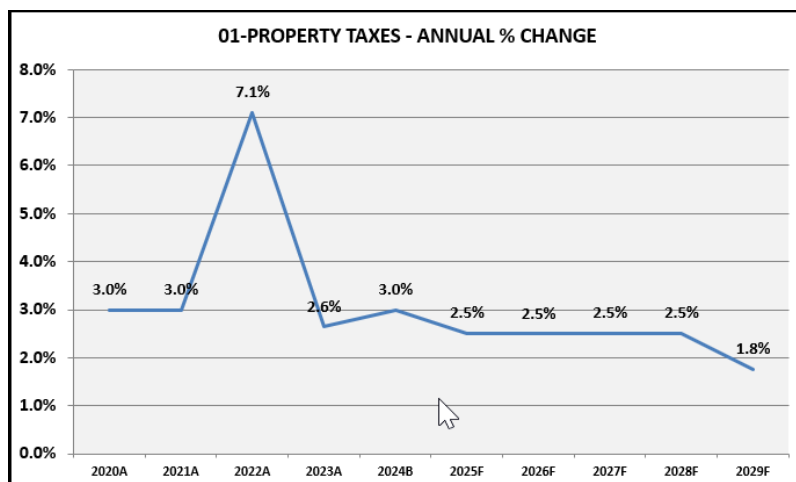
Revenues

As discussed above, revenue growth is not keeping pace with expenditures. This is largely due to limitations on the property tax levy which will make up 67% of general fund revenues in 2024 at \$51.5 million. For purposes of the forecast, property tax growth is assumed to equal 2.5% from 2025 through 2028. As described above, it is assumed we exhaust our excess levy capacity in 2028 and are limited to our net new construction growth percentage. Figure 9 below shows the projected annual changes.

2022 was high due to the utilization of additional levy produced by the change in tax exempt status of approximately 40% of the hospital campus. The additional levy was used to:

- Create an annual cash financing contribution towards capital
- Reduce the County Fire Contract payment
- Fund a Human Resources Organizational Development Specialist
- Establish an annual affordable housing contribution to the Community Development Authority
- Mitigate future risk from a successful property tax appeal or legislative change

Figure 9



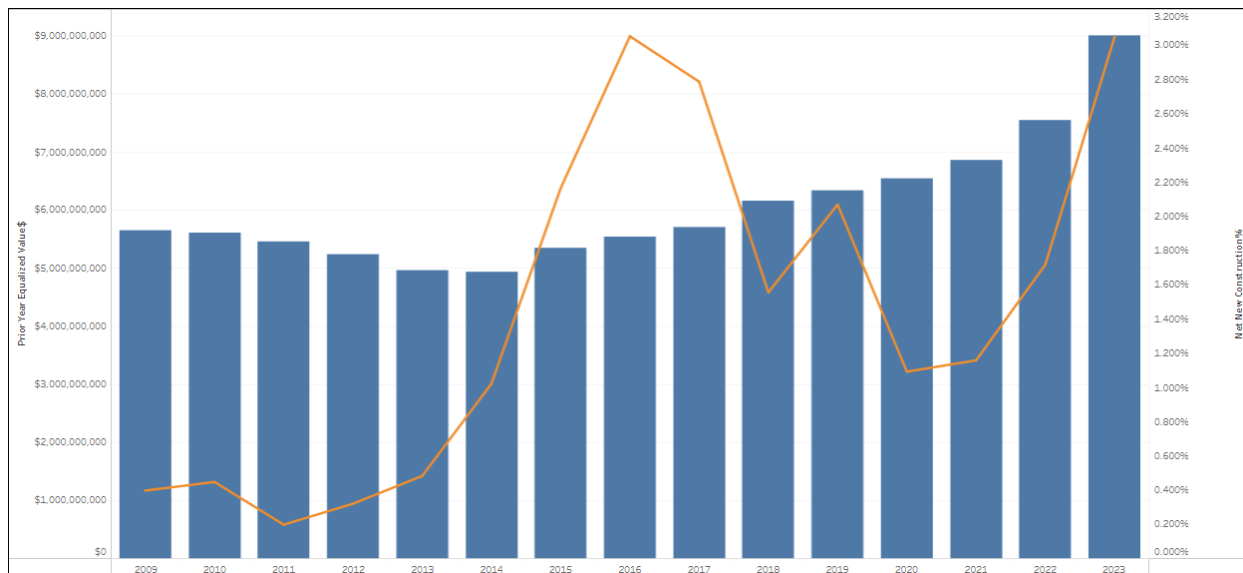
Per the Fiscal Resiliency policy, this revenue growth will be achieved through net new construction, carryover or excess debt capacity. However, based on the levy increases shown below, it is important to emphasize, that absent changes in state law, the City will not be able to indefinitely increase the levy above net new construction. The table below, shows when the City’s “excess capacity” might be exhausted depending on levels of net new construction achieved.

Figure 10

Years of Levy Capacity Available Assuming 2.0% for operations:		
Net New Construction as % Property Value		Years
0.50%		3.72
0.75%		4.47
1.00%		5.58
1.50%		11.17

For purposes of forecasting, it is assumed the excess capacity is used up in 2028 after which the City will only be able to raise the levy by the amount of net new construction plus the increase for debt service, absent a referendum or change in state law. The table below shows the historic amount of net new construction in the City. From 2009 to 2023, the annual average was 1.4% but ranged from .20% to 3.05%. As more redevelopment opportunities are realized, achieving higher rates of net new construction becomes increasingly difficult.

Figure 11



From State of Wisconsin Department of Revenue, Division of Research and Policy - <https://public.tableau.com/app/profile/research.policy>

Figure 12 shows the levy adjusted for inflation per capita. On an inflation adjusted basis, the amount of property tax levy per capita is forecasted to be \$1,017 in 2024 as compared to \$965 in 2002. From 2002 through 2024, the compound annual growth rate adjusted for inflation is 0.2% despite a significant increase in calls for service across almost all areas.

Figure 12

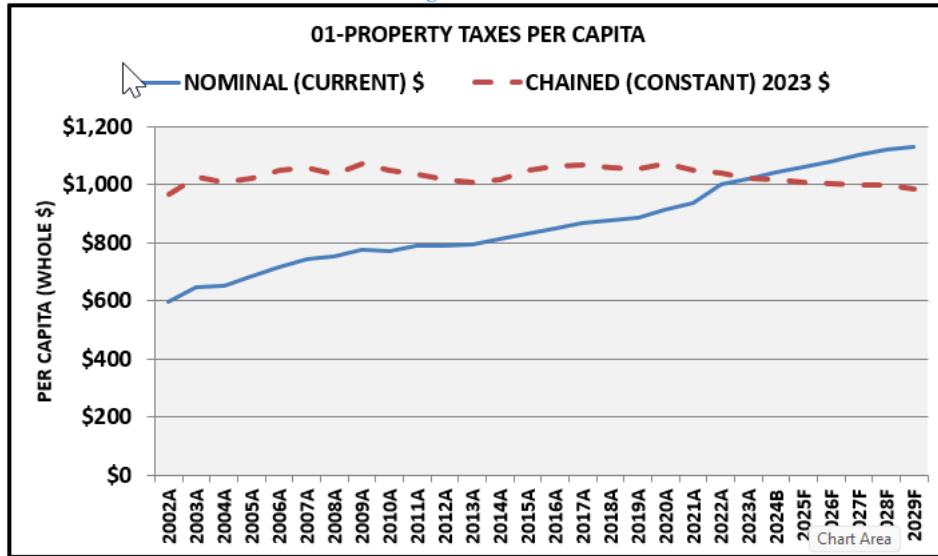
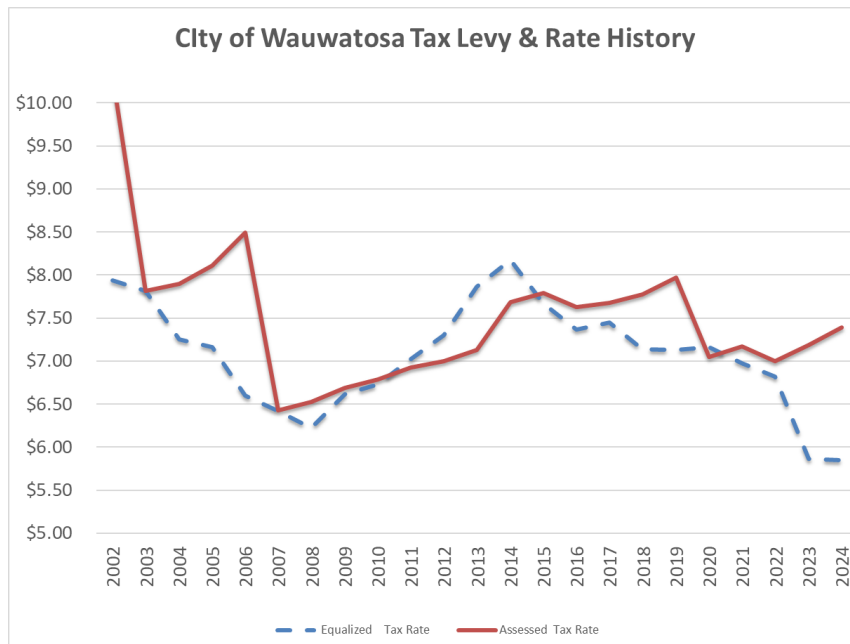


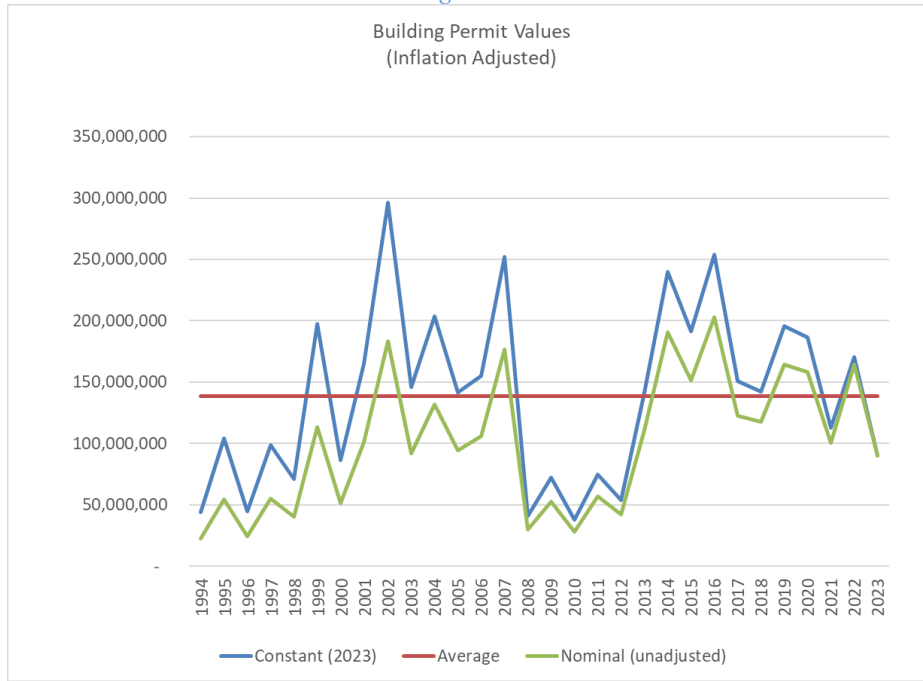
Figure 12 shows the tax rate history since 2002 through 2024. The equalized tax rate (dashed blue line) is a more accurate depiction of the historical trend. The equalized tax rate has been decreasing since 2014 as property tax base growth exceeds levy increases. The 2024 assessed tax rate based on the 2024 levy is 28.0% less than the 2002 rate.

Figure 13



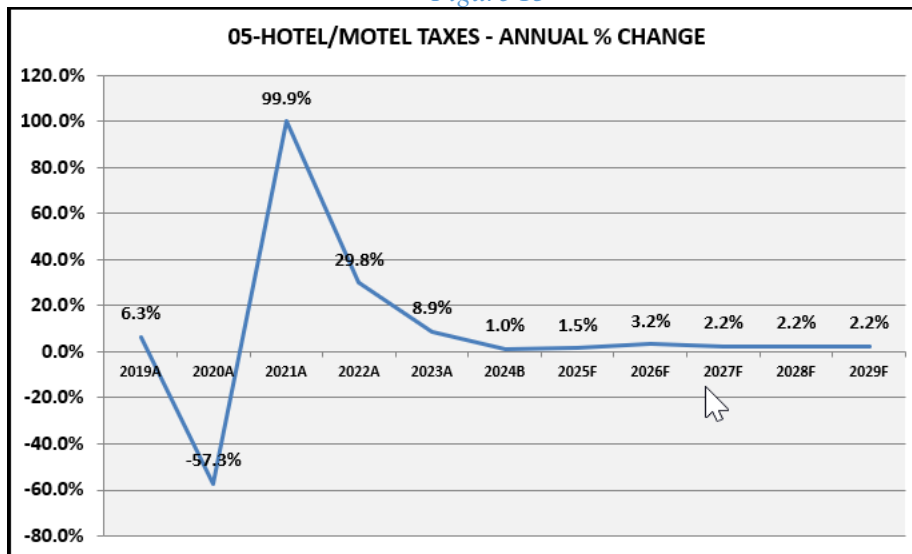
Building permit construction value is a predictor of subsequent years net new construction and the health of the local economy. Figure 14 depicts this activity since 1994. 2023 was below the historical average.

Figure 14



Only 30% of Hotel/Motel tax revenue increases go to the General Fund. However, hotel motel revenue is a good indicator of the health of the local economy and the Tourism Commission's programing depends on this revenue. Hotel/motel tax revenue suffered a 57% decrease in 2020 after 3 successive years of increases. It enjoyed a strong recovery through 2023 putting us above pre-COVID revenue numbers; however that recovery appears to have waned and future years show much slower growth.

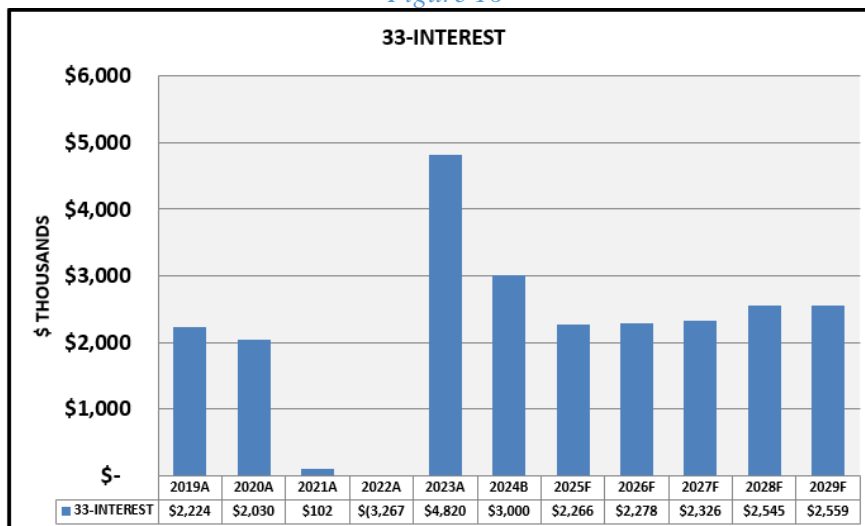
Figure 15



To combat inflation, the Federal Reserve has rapidly increased interest rates over the past 2 years. In addition, the City's average cash balance has increased, temporarily, due the American Rescue Plan Funds which were disbursed to the City in 2021 and 2022 and are being spent down through 2026. As a result, a rapid rise in interest earnings occurred as shown below resulting in revenue levels not seen since prior to the Great Recession. However, we are projecting that the City will earn 25% less in 2025 due to

a 20% reduction in interest rates on its portfolio and a \$15 million reduction in the amount invested due to the ARPA spend down. This results in a general fund reduction of \$735,000 – a significant contributor to the 2025 budget gap.

Figure 16



Balancing the Forecast

The Financial Resiliency Policy directs us to provide strategies for balancing the five-year forecast. Staff propose the following:

TO BE PROVIDED AT A SUBSEQUENT MEETING

Recommendation:

While this report is for informational purposes only, it is important that City staff and the Financial Affairs Committee take the long-range projections into account when making decisions for addressing the 2025 Budget.

As in the past, the City's goal is to focus on strategic budgetary changes as opposed to indiscriminate line-item adjustments. It is also important to emphasize that despite facing budgetary challenges, the City is in an excellent financial condition with adequate reserves and an excellent record of strong financial management practices.

However, it is extremely important to note a fiscal cliff is approaching due to the assumed exhaustion of excess levy capacity. Whether or not this happens in 2029 as forecasted is uncertain, but without a change in state law or community approval of a referendum, it is certain we will eventually face this precipice despite increased state aid. The detrimental impact on service levels cannot be understated.

Staff will develop the Executive Budget based on the assumptions included in this report so we do request feedback on those key assumptions, in particular levy increases, cost of living adjustments' and the strategies for balancing the forecast.