



# **Wauwatosa, WI**

## **Financial Affairs Committee**

### **Meeting Agenda - Final**

7725 W. North Avenue  
Wauwatosa, WI 53213

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**Tuesday, September 26, 2023**

**7:00 PM**

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

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#### **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. Request for a Level Three fund transfer for \$100,000 for Fire Department equipment repairs [23-746](#)
2. Presentation of the audited 2022 Annual Comprehensive Financial Report [23-729](#)
3. Issuance of a \$935,000 short term general obligation note with the State Trust Loan Fund for the purpose of cash financing capital projects [23-747](#)

#### **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](mailto:clerk@wauwatosa.net), with as much advance notice as possible.



## Staff Report

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**File #:** 23-746

**Agenda Date:** 9/26/2023

**Agenda #:** 1.

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Request for a Level Three fund transfer for \$100,000 for Fire Department equipment repairs

**Submitted by:**

John Ruggini and Assistant Chief Scott Erke

**Department:**

Finance and Fire

**A. Issue**

A vacant Fire Mechanic position has resulted in outsourcing equipment repairs exhausting that budget.

**B. Background/Options**

Due to a vacant fire mechanic position since April of 2023, we have been forced to outsource the majority of fire equipment repairs and preventative maintenance operations. We are estimating that this will result in approximately \$100,000 in additional contracted labor costs. This is in addition to a complete engine replacement that was funded through the city contingency fund. These additional expenses will be partially funded via salary savings from the vacant fire mechanic position.

**C. Strategic Plan (Area of Focus)**

Priority Area Two: Public Safety

**D. Fiscal Impact**

This fund transfer of \$100,000 increase in equipment repairs is funded by transferring unused salary dollars due to vacancies. However, this will likely leave increases in overtime as a result of those vacancies partially unfunded. This is addressed in the 2023 re-estimated budget.

**E. Recommendation**

We recommend transferring \$100,000 to equipment repairs from wages.



## Staff Report

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**File #:** 23-729

**Agenda Date:** 9/26/2023

**Agenda #:** 2.

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Presentation of the audited 2022 Annual Comprehensive Financial Report

**Submitted by:**

John Ruggini

**Department:**

Finance Department

**A. Issue**

As required by state law and governmental accounting rules, the City has compiled the 2021 financial statements. Assembled as an Annual Comprehensive Financial Report based on the Governmental Finance Officers Association requirements, the statements have been audited by Clifton Larsen Allen LLP. Representatives from Clifton Larsen Allen will review the financial results with the Committee and present any audit findings. A copy of the report is attached.

**B. Background/Options**

The Management Discussion and Analysis (MDA) section of the Annual Comprehensive Financial Report (ACFR) summarizes the 2021 financial results and will be presented in brief. The ACFR and specifically the MDA should be referred to for more detail.

Highlights from the financial statements include:

- The assets and deferred outflows of resources of the City of Wauwatosa exceeded its liabilities and deferred inflows of resources by \$212,857,468 (net position) as of December 31, 2022.
- As of December 31, 2022, the City of Wauwatosa's governmental funds reported combined ending fund balances of \$51,956,587. Of this balance, \$18,416,514 is available for spending at the government's discretion (unassigned fund balance)
- At the end of the current fiscal year, \$18,423,450 of unassigned fund balance for the general fund is equal to 27% of general fund expenditures and transfers out.
- The City's net Other Postemployment Benefit (OPEB) liability increased by \$4,739,318 to \$41,184,603 as of December 31, 2022.
- Total governmental activities long term liabilities increased \$12,874,742 to \$124,239,645 while business-type long term liabilities decreased \$3,521,260 to \$54,957,270. Governmental activities long term liabilities increased due borrowing for the construction of a \$12,000,000 parking structure to support economic development at the Innovation Campus. Business-type debt decreased due to a greater amount of bond principal being retired than added related to replacing end-of-life infrastructure.
- The City maintained an Aaa rating from Moody's.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wauwatosa assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$212,857,468 at the close of 2022 as shown below in Figure 1.

The largest portion of the City of Wauwatosa's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding). Although the City of Wauwatosa's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since most of the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Wauwatosa's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the city's ongoing obligations to citizens and creditors.

Figure 1  
City of Wauwatosa Net Position  
December 31, 2022

	<u>Governmental Act</u>		<u>Business-Type Act</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>						
Other Assets	\$ 184,121,158	\$ 160,632,260	\$ 39,563,363	\$ 30,608,742	\$ 223,684,481	\$ 191,241,002
Capital Assets	139,591,570	140,645,214	173,505,868	169,540,762	313,097,438	310,185,766
Total Assets	<u>323,712,688</u>	<u>301,277,474</u>	<u>213,069,231</u>	<u>200,149,504</u>	<u>536,781,916</u>	<u>511,426,768</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows of Resources	58,647,032	38,463,362	2,070,098	1,501,622	60,717,130	39,964,984
<b>LIABILITIES</b>						
Current Liabilities	28,718,837	21,888,519	3,614,424	4,373,213	32,333,261	26,261,732
Noncurrent Liabilities	168,860,115	150,708,570	54,287,270	57,563,530	223,147,385	208,272,262
Total Liabilities	<u>197,578,952</u>	<u>172,597,089</u>	<u>57,901,694</u>	<u>61,936,743</u>	<u>255,480,640</u>	<u>234,533,994</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows of Resources	120,240,868	100,289,489	8,920,067	1,099,568	129,160,935	101,389,056
<b>NET POSITION</b>						
Net Investment in Capital Assets	81,468,864	84,083,817	122,510,909	15,382,142	203,979,773	199,465,964
Restricted	31,902,016	24,386,320	2,536,950	2,470,502	34,438,966	26,856,122
Unrestricted	(48,830,980)	(41,615,879)	(23,269,709)	(20,762,167)	(25,561,271)	(20,853,066)
Total Net Position	<u>\$ 64,539,900</u>	<u>\$ 66,854,258</u>	<u>\$ 148,317,568</u>	<u>\$ 138,614,835</u>	<u>\$ 212,857,468</u>	<u>\$ 205,469,020</u>

### Change in Net Position

Net position of the City of Wauwatosa increased by \$7,388,395 (3.6%) in 2022 with decreases in the Governmental-Type Activities and increases in the Business-Type Activities. Net position of the City's governmental activities totaled \$64,539,900 as of December 31, 2022, a decrease of \$2,314,358 (-3.5%). The City's unrestricted net position for governmental activities is negative due development incentives associated with Tax Increment Districts that result in a liability without an associated asset. As the debt is repaid and when the TIF closes, this negative amount will be reduced. The net position of business-type activities totaled \$148,317,568, an increase of \$9,702,753 (7.0%). Following is a summary of the changes in net position for the City of Wauwatosa.

### Governmental Activities

Governmental activities for 2022 decreased the City's net position by \$2,314,358 as detailed below.

◆ Revenues increased by \$4.0 million over the prior year:

- The \$1.3 million increase in Charges for Services was driven largely by surplus building permit revenue of \$473,656 due to increased building activity over the prior year; and \$625,702 increase in fees for policing services resulting from the first full-year of the hospital campus policing contract.
- Operating and capital grants increased \$1.7 million as increased American Rescue Plan spending, resulting in increased revenue recognition of \$2.1 million offset a decrease in Community Development Block Grant spending of \$723,258. In addition, the City benefited from approximately \$1.0 million in public infrastructure constructed by private development.
- Property taxes grew 7.5% due to a 7.1% increase in the property tax levy that was made possible by approximately \$600,000,000 in previously tax-exempt property value determined to be taxable due to a land sale from Milwaukee County to the Milwaukee Regional Medical Campus.
- Other taxes grew by 21.5% to \$2,256,530 driven largely by a \$409,250 increase in Hotel/Motel taxes as occupancy grew 9% and daily rates rose 15%.
- The \$3.1 million decrease in investments was largely due to the loss of investment portfolio value. While interest earnings exceeded the original budget by \$679,449 and were 937% of the prior year actuals, these positive gains were completely offset by a negative \$4.4 million mark-to-market adjustment. This paper loss on the value of the City's investments was due to rapidly rising interest rates which drive down bond prices.

◆ Expenses increased by 29.2% over the prior year:

- The largest increase of \$12.9 million in Conservation and Development was largely the result of the City financing the construction of an approximately \$12.0 million parking structure that was privately owned (so not depreciated) to support economic development at Innovation campus.
- This was offset by a \$5.6 million decrease in expenses related to pension activity that is attributed to each activity.
- General government spending increased by 14.9% largely due to an increase in the litigation reserve based on an assessment of potential liability associated with pending cases.
- Public Safety spending increased \$2.6 million. This was driven by police vacancies for which overtime costs exceeded salary savings by approximately \$130,000. Costs for providing services to the hospitals increased \$633,149 due to 2022 being the first full year of the contract. Fire expenses including wages and overtime increasing over 2021 by \$521,660 due to vacation payouts and overtime to cover staffing shortages. In addition, benefit costs increased \$416,170 driven by payroll increases as well as a more accurate allocation method for health insurance costs.
- Public Works increased over \$1.5 million largely due to repair costs that were not eligible for capitalization and were part of the overall cost of the work done on the Public Works building

- o Fiscal charges increased \$1.2 million due largely in year-over-year differences in the interest accrual.

Figure 2

*CHANGE IN NET POSITION- GOVERNMENTAL ACTIVITIES  
For The Years Ended December 31, 2022 and 2021*

	2022	2021	Variance
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 12,308,710	\$ 11,043,806	\$ 1,264,904
Operating Grants	8,646,028	7,976,625	669,403
Capital Grants/Contributions	1,008,762	-	1,008,762
General Revenues:			
Property Taxes	57,751,070	53,726,456	4,024,614
Other Taxes	2,256,530	1,856,514	400,016
Grants not Restricted to Specific Programs	8,651,734	3,134,957	(83,222)
Investments	(2,946,092)	135,734	(3,081,826)
Gain (loss) -sales/disposal of capital assets	29,658	248,681	(169,023)
Total Revenues	82,156,400	78,122,773	4,033,627
<b>EXPENSES</b>			
General Government	6,531,057	5,685,130	845,927
Public Safety	34,117,902	31,540,033	2,577,869
Public Works	12,727,159	11,222,071	1,505,088
Health and Human Services	2,131,298	1,925,529	205,769
Education and Recreation	4,417,116	4,866,207	(449,091)
Conservation and Development	20,807,753	7,888,323	12,919,430
Culture	739,012	525,739	213,273
Interest and Fiscal Charges	2,626,021	1,418,233	1,207,788
Loss on Sale of Capital Assets	-	-	-
Total Government Activities Expenses	84,097,318	65,071,265	19,026,053
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS</b>	(1,940,918)	13,051,508	(14,992,426)
<b>NET TRANSFERS</b>	(373,440)	1,033,488	(1,406,928)
Change in Net Position	(2,314,358)	14,084,996	(16,399,354)
Net Position - Beginning	66,854,258	52,769,262	14,084,996
<b>NET POSITION - ENDING</b>	<u>\$ 64,539,900</u>	<u>\$ 66,854,258</u>	<u>\$ (2,314,358)</u>

#### Business Activities

Business activities for 2022 increased the City's net position by \$7,334,002 as detailed below. Some of the significant changes in revenues and expenses as shown in Figure 3 that contributed to that change were as follows:

#### Revenues

- ◆ Charges for service remained largely flat as Storm Sewer decreases of \$513,422 offset water and sanitary increases driven by consumption. The decrease in Storm was the result of 2021 including an extra billing period that previously would have been accounted for in 2020 as a result of a change in billing accrual procedures related to the new financial system.
- ◆ Capital Grants and contributions increased 325% due to largely to contributed capital from the American Rescue

Plan funds for the reconstruction of the 68<sup>th</sup> Street Water Main.

- ◆ Investment income increased \$535,867 due to increasing short-term interest rates which increased earnings on the City's investment portfolio. The mark-to-market losses were recorded in the general fund.

#### Expenses

- ◆ Water expenses increased 2.0% due largely to a 7.6% increase in wholesale water expenses as a result of increased pumpage.
- ◆ Sanitary expenses increased 2.5% due largely to a \$483,440 increase in repairs largely associated with the lateral grouting program.
- ◆ Storm utility expenses increased 12.9% due largely to a \$250,378 increase in professional services largely the result of increased sewer televising to assist in capital planning and consulting services for the Citywide Storm water Management Plan.

*Figure 3*  
**CHANGE IN NET POSITION- BUSINESS ACTIVITIES**  
*For The Years Ended December 31, 2022 and 2021*

	2022	2021	Variance
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 26,288,944	\$ 26,369,281	\$ (80,337)
Grants/Contributions	999,146	235,078	764,068
General Revenues:			
Investments	551,207	15,340	535,867
Total Revenues	27,839,297	26,619,699	1,219,598
<b>EXPENSES</b>			
Water Utility	8,180,509	8,022,389	158,120
Sanitary Sewer	7,544,096	7,361,283	182,813
Storm Water Management	3,237,719	2,868,537	369,182
Total Business Activities Expense	18,962,324	18,252,209	710,115
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS</b>	8,876,973	8,367,490	509,483
<b>NET TRANSFERS</b>	(373,440)	(1,033,488)	660,048
Change in Net Position	8,503,533	7,334,002	1,169,531
Net Position - Beginning	138,614,815	131,280,813	7,334,002
<b>NET POSITION - ENDING</b>	\$ 147,118,348	\$ 138,614,815	\$ 8,503,533

#### Fund Financial Analysis

As noted earlier, the City of Wauwatosa uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Fund financial reporting focuses on short-term spendable resources and balances of spendable resources available at year-end.

#### Governmental Funds

As of December 31, 2022, the City of Wauwatosa's governmental funds reported combined ending balances of \$51,956,587 an increase of \$6,412,253 from the prior year. This increase is due to several factors described below and presented in Figure 4.

- ◆ The General Fund balance decreased \$2,290,662 to \$22,244,662 due to the investment portfolio mark-to-market losses described above.
- ◆ The \$2,361,629 increase in the Capital Projects fund was largely a result of the amount of unspent bond proceeds, which increased from \$6,063,603 to \$7,879,679. This was largely the result of the 2022 paving project extending into 2023 and the Hart Park Playground project and Tennis Court Bathroom Remodel project being delayed. These prior year bond proceeds will be spent down over the course of 2023 and 2024 as capital projects are completed.
- ◆ The Parks Reserve fund balance increased \$121,055 despite being originally budgeted for a \$229,425 loss. This was due to \$82,254 budget surplus in facilities rentals as post-Covid rental activity increased more than anticipated. Wage and benefit savings due to vacancies also contributed. The Parks Reserve is budgeted to surplus \$100,000 for future improvements to the stadium as well.
- ◆ The Community Development Fund increased \$4,920,272 due to the purchase of the vacant Boston Store at auction resulting in a \$3,976,804 asset being held for sale. As this was purchased with bond proceeds, overall fund balance increases because the bond proceeds are recorded as a revenue and the acquisition as an asset since it is being held for sale. This results in a fund balance increase but no corresponding cash increase.
- ◆ The Tourism Commission balance increased \$800,145 as hotel/motel tax revenue increased as occupancy grew 9% and daily rates rose 15%.
- ◆ Information Systems Equipment fund increased by \$248,289 as there were no planned expenditures.
- ◆ Fleet Equipment reserve increased \$602,232 as the depreciation transfer to pre-fund future vehicle acquisition exceeded capital expenditures.

*Figure 4*  
*CHANGE IN GOVERNMENTAL FUND BALANCES*

	General Fund	TIF	America's Rescue Plan Act	Debt Service	CP - Genl Obligation Debt Isss Fund	Special Assessm	Commun Developm Block Gr	Revolvir Funds	Park	Libran
Beginning of Year Balance	\$25,165,193	\$2,455,904		\$ 2,030,945	10,994,035	(1)	(5,555)	72,626	1,182,797	-
Current Year Activity	(920,662)	(127,635)		212,135	2,361,629	-	(1,376)	77,414	121,055	1,000
End of Year Balance	\$24,244,531	\$2,328,269		\$ 2,243,080	13,355,664	(1)	(6,935)	150,034	1,303,852	1,000
Nonspendable	\$ 1,423,769	-		\$ -	\$ 1,184,365	-	\$ -	\$ -	\$ -	-
Restricted	-	2,328,269		2,243,080	7,879,679	-	-	150,034	-	-
Assigned	2,397,312	-		-	4,291,600	-	-	-	1,303,852	1,000
Unassigned	18,423,450	-		-	-	(1)	(6,935)	-	-	-

	Redevelopm Authority Reserve Fun	Community Development Fund	Hospital Policing Fun	Tourism Commission Fund	Information Systems Equipment	Fleet Equipment	Public Works Building Improvement Reserve Fun
Beginning of Year Balance	\$ 1,043,630	\$ 829,824	\$ 36,406	\$ 602,958	\$ 968,061	\$ 12,824	\$ 154,711
Current Year Activity	(388)	4,920,272	36,498	800,145	248,289	602,232	81,645
End of Year Balance	\$ 1,043,242	\$ 5,750,096	\$ 72,904	\$ 1,403,103	\$ 1,216,350	\$ 615,056	\$ 236,356
Nonspendable	\$ -	\$ -	\$ -	\$ 5,000	-	-	\$ -
Restricted	-	1,775,489	-	1,398,103	-	-	-
Assigned	1,043,242	3,974,607	72,904	-	1,216,350	615,056	236,356
Unassigned	-	-	-	-	-	-	-

### Proprietary Funds

Revenue and Expense highlights related to Water, Sanitary, and Storm water funds are discussed above. Internal Service Funds showed a decrease in net position of \$222,256. The following funds contributed to this change:

- The Fleet Maintenance fund net position decreased \$897,298 largely due to higher than budgeted fuel prices resulting in a \$330,514 deficit compared to the original budget; and the depreciation transfer to the Fleet Equipment Reserve exceeding the value of the annual vehicles purchased and contributed from the Equipment Reserve.
- The Public Works Building net position increased \$617,283 due entirely to the value of the contributed capital from the Building Capital Fund netted against the depreciation transfer. The capital contribution was the result of the floor drain project.
- The General Liability Fund had a \$972,815 increase in net position based on annual contributions related to the Common Council's fund balance policy requirements for this fund.
- The Workers Compensation Insurance fund had a \$395,480 decrease due to increases in prior year claims greater than what had been accrued.
- The Employee Health Insurance Fund decreased its net position by \$795,524 due entirely to a \$796,776 OPEB expense which offset positive claims experience. The City's net Other Postemployment Benefit (OPEB) liability was increased by \$4,739,318 to \$41,184,603 as of December 31, 2022.

### General Fund Budgetary Highlights

Differences between actual revenues and expenses and the final amended budget resulted in a negative revenue variance of \$4,020,555 (6.0% of the final budget) and a positive expenditure variance of \$1,319,633 (2.4% of the final budget). The following explains these variances:

### Revenues

- Tax revenue posted a \$348,716 surplus due to hotel/motel tax exceeding revenue projections as described

above.

- ◆ Intergovernmental Revenues posted a \$706,672 deficit due to health grants that are on a reimbursable basis and cover multiple years but were budgeted in single year.
- ◆ Licenses and Permits posted a \$328,776 surplus due to building permits being greater than the amended budget anticipated as residential and commercial construction continued to experience strong demand. In addition Street Occupancy revenue posted a \$144,884 surplus as a new software system provides more timely revenue recognition.
- ◆ Fines, Penalties and Forfeitures posted a \$294,647 deficit compared to budget largely due to parking citation revenue which was \$255,046 below budget due to vacancies in the police department.
- ◆ Intergovernmental charges posted a \$321,887 surplus over budget due to delays in assumed decreases in the fee Milwaukee County pays for fire service to serve tax-exempt buildings on county owned land.
- ◆ Commercial revenues posted a \$4,088,259 variance to budget due to a policy of not budgeting for the mark-to-market adjustment for the investment portfolio. This adjustment exceeded \$4.3 million as described above. However, since it is a paper loss that will be recovered as bond investments mature, it is not budgeted

#### Expenditures

- ◆ General Government expenditures were \$480,606 less than budgeted. This was largely due to due to vacancy savings in the City Clerk, Human Resources and City Assessor departments as well as poll worker savings as more City employees were utilized. Operating expense savings of \$151,164 also contributed. Human Resources carried over approximately \$73,000 for a compensation study that will take place in 2023 and the City Clerk carried over approximately \$60,000 for a new agenda management system to be implemented in 2023 as well.
- ◆ Public Safety had a \$575,200 negative budget variance largely due to overtime expenses in the Police and Fire Department that were driven by vacancies. In the Police Department, this was largely due to staffing shortages that approached 9.8 Police Officers and 1.1 Detectives. In the Fire Department, this was driven by a variety of reasons including:
  - Offtime including parental leave, sick leave and Family Medical Leave.
  - Staffing a 3rd paramedic unit the first quarter of 2022 as part of the 1 paramedic trial
  - Three vacancies requiring regular OT staffing
- ◆ Public Works had a \$693,406 surplus largely due vacancy savings, recycling revenue which was higher than anticipated and offset the disposal expense and Engineering external design services for projects that were postponed to 2023.
- ◆ Health and Human Services had a positive budget to actual variance of \$605,873 due to expenditures budgeted for multi-year reimbursable grants that have not been spent. This was offset by a revenue shortfall described above.

#### Capital Assets and Debt Administration

### Capital Assets

The City of Wauwatosa investments in capital assets for its governmental and business-type activities as of December 31, 2022 increased \$2,911,462 to \$313,097,438 net of accumulated depreciation. This investment in capital assets includes land, buildings, sewer and water main improvements, machinery and equipment, parks facilities, roads, and bridges. The increase in the City of Wauwatosa's investment in capital assets for the current fiscal year was -0.7% for governmental and 2.3% for business-type functions. The increase for business type functions reflects the continuation of the City's enhanced capital improvement plan to replace infrastructure (largely roads, bridges and sewer mains) that are past-their useful life or of insufficient capacity.

Major capital assets improvements during 2022 included the following:

- ◆ 4,300 linear feet of reconstructed and resurfaced streets.
- ◆ 4,172 linear feet of replaced or relined sanitary sewer mains
- ◆ 3,001 linear feet of replaced or relined storm sewer mains
- ◆ 8,706 linear feet of replaced water mains
- ◆ \$2,105,349 in updates to buildings including the Police Station lower level renovation, Fire Station 52 and Police Station roof replacements, the Fire Station 52 & 53 bunk house renovation design and updating police station access controls.
- ◆ \$981,246 in machinery and equipment updates including 8 police vehicles, one ambulance, 4 public works vehicles, a drone, an upgrade to the Hart Park outdoor warning system and upgrades to the police department and City Hall camera servers..

Additional information on the City of Wauwatosa's capital assets can be found on pages 53-54.

### Debt Administration

At the end of the current fiscal year, the City of Wauwatosa had total net general bonded debt outstanding of \$133,720,011 which equaled 1.48% of equalized value. This includes all General Obligation Debt, Bond Premium, Municipal Revenue Obligations and is net of net position restricted for debt service. Please see the statistical section for annual comparisons. During 2022, the City of Wauwatosa issued \$26,415,000 in General Obligation bonds for street and sewer improvements, equipment purchases including an ambulance replacement, rehabilitating the Public Works building floor drains, demolishing the decommissioned solid waste transfer station, replacing the police department roof and reconstructing the tennis court bathrooms at Hard Part. Included in this total was \$12,000,000 for financing the construction of a private parking structure to facilitate commercial building construction at Innovation Campus. The City maintains an "Aaa" rating from Moody's for its general obligation debt.

State Statutes limit the amount of general obligation debt a government entity may issue to 5% of its total equalized valuation. The current debt limitation for the City of Wauwatosa is \$450,328,870 of which the City has utilized 30% for its current outstanding general obligation debt.

The remainder of the City of Wauwatosa's debt represents bonds secured solely by specific revenue sources. The Wauwatosa Water Utility has outstanding debt of \$23,950,000 of which \$9,140,000 are revenue bonds. The Water Utility maintains an Aa2 rating from Moody's.

Additional information on the City of Wauwatosa's long-term debt can be found in note 4.G on pages 57-64 of this report.

**C. Strategic Plan (Area of Focus)**

Priority Area One: Economic Development and Financial Resilience

**D. Fiscal Impact**

For informational purposes only

**E. Recommendation**

For informational purposes only



# Wauwatosa, WI

7725 W. North Avenue  
Wauwatosa, WI 53213

## Staff Report

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**File #:** 23-747

**Agenda Date:** 9/26/2023

**Agenda #:** 3.

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Issuance of a \$935,000 short term general obligation note with the State Trust Loan Fund for the purpose of cash financing capital projects

**Submitted by:**

John Ruggini

**Department:**

Finance

**A. Issue**

As part of the 2024 Operating Budget, \$935,000 of tax revenue will be set aside to cash finance capital projects. In order to comply with levy limit statutes, a short term loan is necessary.

**B. Background/Options**

Due to a portion of the hospital campus becoming taxable, the City included an additional \$935,000 of property tax levy to cash finance capital projects. \$800,000 is to cash finance projects that would have otherwise been debt financed and \$135,000 was for additional projects where there was financing gap. However, if this tax revenue is transferred to the Capital Projects Fund it will negatively affect the City's additional levy capacity that is being held in reserve. To avoid this issue, a short-term loan with must be placed by the end of the year and then repaid after a significant amount of property tax revenue has been collected. In this way, the property tax revenue is transferred to the Debt Service Fund and loan proceeds are deposited in the Capital Projects Fund.

As in the prior year, I recommend borrowing from the State Trust Loan Fund, a State of Wisconsin program. Similar to a bond, the loan will be considered a general obligation of the City of Wauwatosa. The interest rate is 5.75% and it will be a 2-year term but the City has the option for a penalty-free prepayment. There is also no legal counsel required. The 2022 loan was paid off in August 2023.

**C. Strategic Plan (Area of Focus)**

Priority Area Three: Infrastructure

**D. Fiscal Impact**

The City will incur interest costs estimated at \$27,000. These have been accounted for in the Capital Projects Fund in the 2023 Budget. However the budget assumed a private bank loan placement. Since the loan is technically a 2-year loan (not short term) it will have to be accounted for in the debt service fund. A budget amendment will be requested.

**E. Recommendation**

I recommend approval of placing a \$935,000 general obligation loan with the State Trust Loan Fund based on the above terms.