



Wauwatosa, WI

Financial Affairs Committee

Meeting Agenda - Final

7725 W. North Avenue
Wauwatosa, WI 53213

Tuesday, November 12, 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 by Civic Celebration Commission to waive the competitive bidding process and approve a contract with Northern Lights Drone Company in the amount of \$32,000 to conduct a drone show on July 2, 2025 [24-1526](#)
2. Recommendation of approval of a contract to design and construct a bicycle pump track at Firefly Grove Park [24-1534](#)
3. Presentation of the audited 2023 Annual Comprehensive Financial Report [24-1515](#)
4. Litigation update by the City Attorney [24-1556](#)
The Committee may move to convene into closed session for this item pursuant to Wis. Stat. §19.85 (1)(g) for the purpose of conferring with legal counsel for the governmental body who is rendering oral or written advice concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. The Committee may reconvene into open session to consider the balance of the agenda.
5. Update on the development of the former Boston Store Property [24-1575](#)
The Committee may move to convene into closed session for this item pursuant to Wis. Stat. §19.85 (1)(e), to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Committee may reconvene into open session to consider the balance of the agenda.

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 tclerk@wauwatosa.net, with as much advance notice as possible.



Wauwatosa, WI

7725 W. North Avenue
Wauwatosa, WI 53213

Staff Report

File #: 24-1526

Agenda Date: 11/12/2024

Agenda #: 1.

Consideration of request by Civic Celebration Commission to waive the competitive bidding process and approve a contract with Northern Lights Drone Company in the amount of \$32,000 to conduct a drone show on July 2, 2025

Memo attached

Council Presentation – Drones in 2025

by Bob Brunow

On Thursday, October 24, 2024, the Civic Celebration Commission voted to support the Wauwatosa Management Team recommendations to produce a Drone Show on Wednesday July 2, 2025.

I continued the process of looking into providing the city with a company that will provide a reliable 15-minute drone show with background music.

In July, 2024, I had a phone conversation with Polly Oldenburg, a member of New Berlin Civic Celebration. According to Polly, Northern Lights Drone Company put on a drone show for that community on July 5, 2024. There was nothing but praise about their program! The company designed a program they wanted and met the city requirements.

As a result of this recommendation, in July I contacted Andy of Northern Lights Drone Company, a local business, and here are the major points he made to me during our phone conversation:

- The show is 15 minutes long
- Projected cost \$32,000
- 200 drones recommended for our show, generating a flat display
- 300 drones generates a 3D effect
- \$160 cost per drone - discounts per drone also available
- Show requires a 200 foot radius
- Works off a GPS signal
- Show is about 400 feet in the sky
- Bright generation with no heat
- Drones can work in light rain but not heavy rain
- Company has a \$5 million insurance policy
- A 25% downpayment required to hold a date and time.

As chairman of the Civic Celebration Commission I am requesting that this Common Council wave the provision of waving the bidding process for a drone show to be held on Wednesday, July 2, 2025.

Reasons For This Decision

- 1) We are making this request to the council based on the recommendation of New Berlin Civic Commission.
- 2) Northern Lights Done will provide the city with a fantastic program that will be designed within our budget of \$30,000.
- 3) City representative and I have and continue to do extensive work in determining what type of drone program should be in place.
- 4) We have been told that it could take as long as six months to design a program, and we are running out of time! If we have to go out for bids, do the research that is needed in preparing a bid, wait for all the bids to come in, determine which company is awarded the bid and then design the drone program the city wants – there simply is not enough time if we want to have the program in early July, 2025.
- 5) I have asked Andy to give a presentation at our January 23, 2025 meeting and to answer questions my board members and City officials may have. Andy will contact Eva to insure necessary AV equipment is available and in place to put on the presentation.



Staff Report

File #: 24-1534

Agenda Date: 11/12/2024

Agenda #: 2.

Recommendation of approval of a contract to design and construct a bicycle pump track at Firefly Grove Park

Submitted by:

David Simpson, P.E.

Department

Public Works

A. Issue

Included in the master plan for Firefly Grove Park (new park being constructed at the corner of 116th & Gilbert) is the construction of a bicycle pump track. American Rescue Plan Act (ARPA) funds were allocated by the Common Council for this project so a Request for Proposals (RFP) was issued and proposals received. We are asking for approval to enter into a contract for installation of a bicycle pump track at this time.

B. Background/Options

Included in the master plan for Firefly Grove Park (new park being constructed at the corner of 116th & Gilbert) is the construction of a bicycle pump track. American Rescue Plan Act (ARPA) funds were allocated by the Common Council for construction of this project.

A request for proposals was issued on September 23, 2024 and three proposals were received on November 4th, 2024. The RFP included a request for a smaller track and a larger track not knowing where the proposal costs would come in and what level of ARPA funds would ultimately be available. Proposals were reviewed by a team of five City staff members and Alderperson Brannin (Aldermanic Representative to the Park Board). The project budget was established by utilizing the Common Council's ARPA allocation of \$229,898.00 at the July 30th, 2024 Common Council Meeting as well as ARPA contingency funds that were allocated for the construction of Firefly Grove Park that have not been utilized for a total project budget of \$430,000. Proposals from the three vendors for the larger scope project ranged from \$425,000 to \$546,965. Many factors were considered including track size, cost, installer experience, time to completion, and component selection. After considering all these factors we are recommending the City enter into a contract with Spohn Ranch in the amount of \$425,000.

C. Strategic Plan (Area of Focus)

Priority Area Five: Quality of Life

D. Fiscal Impact

The budget for this project consists of ARPA funds allocated by the Common Council for the construction of the bicycle pump track and the Firefly Grove Park. Contingency funds for the bicycle pump track project will be merged with the Firefly Grove Park's contingency funds in order to have funds available for unforeseen

circumstances.

E. Recommendation

Authorize entering into a contract with Spohn Ranch, Inc. in the amount of \$425,000 for the design and installation of a bicycle pump track at Firefly Grove Park.



Staff Report

File #: 24-1515

Agenda Date: 11/12/2024

Agenda #: 3.

Presentation of the audited 2023 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 2023 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 2023 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 \$231,413,065 (net position) as of December 31, 2023.
- ◆ As of December 31, 2023, the City of Wauwatosa's governmental funds reported combined ending fund balances of \$60,391,480. Of this balance, \$19,681,590 is available for spending at the government's discretion (unassigned fund balance)
- ◆ At the end of the current fiscal year, \$19,688,525 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 decreased by \$4,566,173 to \$36,618,430 as of December 31, 2023.
- ◆ Total governmental activities long term liabilities decreased \$3,281,661 to \$124,789,502 while business-type long term liabilities increased \$522,395 to \$55,479,665. Governmental activities long term liabilities decreased as \$2.9 million of Municipal Revenue Obligations used for economic development

were paid and no additional obligations were incurred.

- ◆ 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 \$231,413,065 at the close of 2023 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, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Other Assets	\$ 167,419,356	\$ 184,121,118	\$ 44,509,803	\$ 39,563,363	\$ 211,929,159	\$ 223,684,481
Capital Assets	141,160,184	139,591,570	181,489,897	173,505,868	322,650,081	313,097,349
Total Assets	308,579,540	323,712,688	225,999,700	213,069,231	534,579,240	536,781,830
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows of Resources	70,931,613	58,647,032	2,570,298	2,070,098	73,501,911	60,717,130
LIABILITIES						
Current Liabilities	26,515,976	28,718,837	7,831,990	3,614,424	34,347,966	32,333,261
Noncurrent Liabilities	177,671,753	168,860,115	55,351,331	54,287,270	233,023,084	223,147,536
Total Liabilities	204,187,729	197,578,952	63,183,321	57,901,694	267,371,050	255,480,807
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows of Resources	101,705,232	120,240,868	7,591,804	8,920,067	109,297,036	129,160,935
NET POSITION						
Net Investment in Capital Assets	84,628,128	81,468,864	125,633,103	122,510,909	210,261,231	203,979,793
Restricted	8,817,469	31,902,016	1,856,805	2,536,950	10,674,274	34,438,915
Unrestricted	(19,827,405)	(48,830,980)	30,304,965	23,269,709	10,477,560	(25,561,211)
Total Net Position	\$ 73,618,192	\$ 64,539,900	\$ 157,794,873	\$ 148,317,568	\$ 231,413,065	\$ 212,857,497

Change in Net Position

Net position of the City of Wauwatosa increased by \$18,555,597 (8.7%) in 2023 with increases in the Governmental-Type Activities and the Business-Type Activities. Net position of the City's governmental activities totaled \$73,618,192 as of December 31, 2023, an increase of \$9,078,292 (14.1%). 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 \$157,794,873, an increase of \$9,477,305 (6.4%). Following is a summary of the changes in net position for the City of Wauwatosa.

Governmental Activities

Governmental activities for 2023 increased the City's net position by \$9,078,292 as detailed below.

◆ Revenues increased by \$9.1 million over the prior year:

- The \$525,065 decrease in Charges for Services was driven largely by a slow-down in building construction and associated permit revenue.
- The capital grants increase of \$835,260 can be attributed to \$1.8 million in to American Rescue Plan Act spending on capital in 2023 as compared to zero in 2022. This was offset by decreases in contributed capital from governmental and internal service funds which fluctuates year over year depending on capital projects.
- Operating grants increased \$2.2 million as American Rescue Plan spending shifted towards capital in 2023 as described above.
- Property taxes grew 3.5% due to a 2.6% increase in the property tax levy and 4.9% in Tax Increment District revenue. Tax Increment District revenue grew as District 7 - Burleigh Triangle value grew by 22% due to the build-out of restaurants and other retail space. In addition, District 13 revenue grew \$212,909 due to the construction of the Walnut Glenn apartments, a low-income tax credit project, which include 87 senior apartments and 14 townhouses.
- Other taxes grew by 10.0% to \$2,482,357 driven largely by a \$158,067 increase in Hotel/Motel taxes which exceeded pre-COVID levels as occupancy increased 2.3% and the average daily rate 6.2% over 2022.
- The \$8.7 million increase in investments was driven by the year-over-year change in investment rates and the stabilized interest rate environment. In 2023 the City earned 5.02% on its short-term portfolio compared with 1.58% the year prior. This 218.1% increase drove a \$2.4 million year over year increase in investment earnings. In addition, the City posted a \$1.9 million mark-to-market adjustment as compared to the negative \$4.3 million adjustment in 2022 that resulted from rapidly increasing interest rates which drove down bond prices.

◆ Expenses decreased by 1.7% over the prior year:

- General government spending increased by 25.6% largely due to a \$462,830 increase in outside legal service litigating property tax appeals.
- Public Safety expenses increased \$9.3 million. Of that wages and benefits increased \$1.65 million as police officer hours increased 6.1% and the police and fire employer pension rate increased approximately 9%.
- An approximate \$183,000 increase in wages and benefits in the Parks department as more time was dedicated to the parks from Public Works employees contributed to the 18% increase in Education and Recreation spending. Library compensation also increased approximately \$192,000 driven by an increase in the hourly wage paid to Library Shelves and a 3% increase in hours paid.

- The \$13.9 million decrease in Conservation and Development was largely the result of a one-time expense in 2022. The City financed the construction of an approximately \$12.0 million parking structure that was privately owned (so not depreciated) to support economic development at Innovation campus.
- The increase in hotel/motel taxes described above allowed the Tourism Commission to increase its marketing activity by approximately \$180,000 increasing Culture expenses.
- In addition, a \$4.1 million increase in expenses related to pension activity contributed to increases in each functional category.

Figure 2

*CHANGE IN NET POSITION- GOVERNMENTAL ACTIVITIES
For The Years Ended December 31, 2023 and 2022*

	2023	2022	Variance
REVENUES			
Program Revenues:			
Charges for Services	\$ 11,783,645	\$ 12,308,710	\$ (525,065)
Operating Grants	6,479,771	8,646,028	(2,166,257)
Capital Grants/Contributions	1,844,022	1,008,762	835,260
General Revenues:			
Property Taxes	59,750,440	57,751,070	1,999,370
Other Taxes	2,482,357	2,256,530	225,827
Grants not Restricted to Specific Programs	3,147,178	3,051,734	95,444
Investments	5,725,737	(2,946,092)	8,671,829
Gain (loss) -sales/disposal of capital assets	87,145	79,658	7,487
Total Revenues	<u>91,300,295</u>	<u>82,156,400</u>	<u>9,143,895</u>
EXPENSES			
General Government	8,205,597	6,531,057	1,674,540
Public Safety	43,418,355	34,117,902	9,300,453
Public Works	12,950,986	12,727,159	223,827
Health and Human Services	2,247,690	2,131,298	116,392
Education and Recreation	5,198,985	4,417,116	781,869
Conservation and Development	6,946,300	20,807,753	(13,861,453)
Culture	945,106	739,012	206,094
Interest and Fiscal Charges	2,791,427	2,626,021	165,406
Loss on Sale of Capital Assets	-	-	-
Total Government Activities Expense	<u>82,704,446</u>	<u>84,097,318</u>	<u>(1,392,872)</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	8,595,849	(1,940,918)	10,536,767
NET TRANSFERS	<u>482,443</u>	<u>(373,440)</u>	<u>855,883</u>
Change in Net Position	<u>9,078,292</u>	<u>(2,314,358)</u>	<u>11,392,650</u>
Net Position - Beginning	64,539,900	66,854,258	(2,314,358)
NET POSITION - ENDING	<u>\$ 73,618,192</u>	<u>\$ 64,539,900</u>	<u>\$ 9,078,292</u>

Business Activities

Business activities for 2023 increased the City's net position by \$9,477,305 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 services increased 6.8% largely due to a mid-year conventional rate increase of nearly 30% for the water utility.
- ◆ Capital Grants and contributions decreased 41% largely due to a one-time revenue of contributed capital from the American Rescue Plan funds for the reconstruction of the 68th Street Water Main received in 2022.
- ◆ Investment income increased 156% due to increasing short-term interest rates which increased earnings on the City's investment portfolio as described above.

Expenses

- ◆ Water expenses increased 11.1% due largely to a 9.6% increase in wholesale water expenses as a result of wholesale rate increase.
- ◆ Sanitary expenses increased 5.9% due largely to a \$672,845 increase in repairs largely associated with the private lateral grouting program.

Figure 3
CHANGE IN NET POSITION- BUSINESS ACTIVITIES
For The Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
REVENUES			
Program Revenues:			
Charges for Services	\$ 28,088,004	\$ 26,288,944	\$ 1,799,060
Grants/Contributions	855,905	1,451,486	(595,581)
General Revenues:			
Investments	<u>1,412,377</u>	<u>551,207</u>	<u>861,170</u>
Total Revenues	<u>30,356,286</u>	<u>28,291,637</u>	<u>2,064,649</u>
EXPENSES			
Water Utility	9,091,024	8,180,509	910,515
Sanitary Sewer	7,989,661	7,544,096	445,565
Storm Water Management	<u>3,315,853</u>	<u>3,237,719</u>	<u>78,134</u>
Total Business Activities Expense	<u>20,396,538</u>	<u>18,962,324</u>	<u>1,434,214</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	9,959,748	9,329,313	630,435
NET TRANSFERS	<u>(482,443)</u>	<u>373,440</u>	<u>(855,883)</u>
Change in Net Position	<u>9,477,305</u>	<u>9,702,753</u>	<u>(225,448)</u>
Net Position - Beginning	148,317,568	138,614,815	9,702,753
NET POSITION - ENDING	<u>\$ 157,794,873</u>	<u>\$ 148,317,568</u>	<u>\$ 9,477,305</u>

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, 2023, the City of Wauwatosa's governmental funds reported combined ending balances of \$60,391,483 an increase of \$8,434,896 from the prior year. This increase is due to several factors described below and presented in Figure 4.

- ◆ The General Fund balance increased \$1,096,500 to \$23,341,031 as revenue growth of 14.1% exceeded 7.3% expenditure increases. Year over year revenue increases were driven largely by increases in investment earnings and property taxes as described above.

- ◆ The \$1.4 million increase in the Tax Increment District fund was driven by \$268,592 year over year increase in investment earnings and a \$343,179 increase in property tax increment as described above as well as one-time expenses in 2022 associated with economic development incentives.
- ◆ The \$5,156,112 increase in the Capital Projects fund was largely the result of receipting \$11.9 million on bond proceeds but only spending \$7.8 million on capital projects. The project with the largest unspent balance was the North Avenue paving project from the Menomonee River to Mayfair Road. \$2.0 million remained to spent on this project which was completed in 2024.
- ◆ The Parks Reserve fund balance increased \$548,312 largely due to lower than budgeted compensation costs. The Parks Reserve is also budgeted to surplus \$105,000 for future improvements to the stadium as well.
- ◆ The Community Development Fund decreased \$483,233 due spending down bond proceeds from fund balance for the costs of maintaining the vacant Boston Store as negotiations continue to transfer ownership.
- ◆ The Tourism Commission balance increased \$461,034 as hotel/motel tax revenue increased as described above.
- ◆ Information Systems Equipment fund increased by \$264,753 as there were no planned expenditures.

Figure 4
CHANGE IN GOVERNMENTAL FUND BALANCES

	General Fund	TIF	America's Rescue Plan Act	Debt Service	CP - Gen Obligation	Special Assessm	Communi Developm Block Gr	Revolvii Funds	Park	Librar
End of Year Balance	\$2,244,531	\$2,328,269	-	\$2,243,080	\$13,355,614	(1)	(6,935)	150,031	1,303,852	1,000
Current Year Activity	96,500	400,009	1,900	(190,248)	5,156,468	1	0	66,157	548,312	(0)
End of Year Balance	\$2,341,031	\$2,728,278	1,900	2,052,832	18,512,082	(0)	(6,935)	216,191	1,852,164	1,000
Nonspendable	\$1,290,787	-	-	-	\$1,184,365	-	-	-	-	341
Restricted	-	3,728,278	1,900	2,052,832	8,413,045	-	-	216,191	-	-
Assigned	2,361,757	-	-	-	8,914,702	(1)	(6,935)	-	1,852,164	651
Unassigned	10,688,527	-	-	-	-	-	-	-	-	-

	Redevelopm Authority Reserve Fund	Communit Developme Fund	Hospital Poli Fund	Tourism Commissio Fund	Informatio Systems Equipment	Fleet Equipment	Public Wor Building Improve Reserve Fu
End of Year Balance	\$1,043,243	\$5,750,096	\$72,904	\$1,403,103	\$1,216,356	\$615,056	\$236,366
Current Year Activity	(37,235)	(483,233)	(3,491)	461,034	264,753	60,716	93,251
End of Year Balance	\$1,006,007	\$5,266,863	\$69,413	\$1,864,137	\$1,481,103	\$675,772	\$329,617
Nonspendable	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Restricted	-	1,278,553	-	1,864,137	-	-	-
Assigned	1,006,007	3,988,310	69,413	-	1,481,103	675,772	329,617
Unassigned	-	-	-	-	-	-	-

Proprietary Funds

Revenue and Expense highlights related to Water, Sanitary, and Storm water funds are discussed above. Internal Service Funds showed an increase in net position of \$364,853. The following funds contributed to his change:

- The General Liability Fund had a \$1,036,075 increase in net position based on annual contributions related to the Common Council's fund balance policy requirements for this fund based on litigation and settlement risk.
- The Employee Health Insurance Fund decreased its net position by \$133,442 due to health claims exceeding the

original budget by 15.2%

- Municipal Complex net position decreased by \$246,962 as \$250,000 of fund balance was spent on a library restroom remodel project.

General Fund Budgetary Highlights

Differences between actual revenues and expenses and the final amended budget resulted in a positive revenue variance of \$891,255 (1.2% of the final budget) and a positive expenditure variance of \$899,040 (1.5% of the final budget). The following explains these variances:

Revenues

- ◆ Interest earning surplus as described previously made up most of the \$1.3 million revenue surplus in Commercial Revenues which offset delayed grant reimbursements causing a deficit in Intergovernmental Revenues
- ◆ Licenses and Permits posted a \$178,898 surplus despite a slow-down in construction due to a large building applied for in December but construction not occurring until 2024.

Expenditures

- ◆ General Government expenditures were \$258,219 due largely to wage savings attributed to vacancies in multiple departments.
- ◆ Health and Human Services had a positive budget to actual variance of \$501,430 due to expenditures budgeted for multi-year reimbursable grants that have not been spent. This was offset by a revenue shortfall described above.
- ◆ Conservation and Development had a \$179,448 surplus as less spending on economic development grant programs and operating expenses offset wage and benefit overruns.
- ◆ \$144,204 in principal and \$13,428 in interest expense was not budgeted because it represents a reclassification of public safety expenses associated with subscription based information technology arrangements.

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, 2023 increased \$9,552,643 to \$322,650,081 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 1.1% for governmental and 4.6% 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 2023 included the following:

- ◆ 5,280 linear feet of reconstructed and resurfaced streets.
- ◆ 2,534 linear feet of replaced or relined sanitary sewer mains

- ◆ 10,021 linear feet of replaced or relined storm sewer mains
- ◆ 13,692 linear feet of replaced water mains
- ◆ \$2,342,894 in updates to buildings including the police station access controls, police lobby and training room improvements and Fire Station 52 & 53 bunk house renovation design and updating police station access controls.
- ◆ \$1,254,043 in machinery and equipment updates including 10 police vehicles, 2 Fire Department command and staff vehicles ambulance, 4 public works vehicles and a digital intelligence forensics server for the police.

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 \$133,513,038 which equaled 1.39% 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 2023, the City of Wauwatosa issued \$16,375,000 in General Obligation bonds for street, sewer and water main improvements, and equipment purchases including a tactical rescue vehicle, a fire engine and stadium storage units for Hart Park. 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 \$480,917,545 of which the City has utilized 25% 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 \$26,960,000 of which \$8,47000 are revenue bonds. The Water Utility maintains an Aa2 rating from Moody's.

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

CITY OF WAUWATOSA 2023 AUDIT RESULTS

Presented to the Financial Affairs Committee
November 12, 2024



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities **17**

Agenda and Objectives

Scope of Work and Audit Process

Financial Statement Audit Results

Single Audit Results

Governance Communication Letter

Acknowledgements and Closing and Planning for Next Year



Financial Audit Process

- Risk Assessment
- Internal Controls
- Significant Account Balances and Classes of Transactions
- Auditor's Opinion - Unmodified



ACFR Structure

- **Introductory Section**
 - Transmittal letter, Organizational chart, Principal officers, GFOA Award
- **Financial section**
 - Management's Discussion and Analysis, Audit Opinion, Financial statements, Notes, Required Supplementary information, Supplementary information
- **Statistical section**

GOVERNMENTAL FUNDS

	<u>General</u>	<u>TID</u>	<u>ARPA</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues	\$ 72,744,043	\$ 9,707,812	\$ 2,711,052	\$ 52,898	\$ 1,124,749	\$ 4,877,639	\$ 91,218,193
Expenditures	<u>57,583,605</u>	<u>4,698,527</u>	<u>2,409,153</u>	<u>13,032,593</u>	<u>7,768,847</u>	<u>10,487,706</u>	<u>95,980,431</u>
Revenues over (under) expenditures	15,160,438	5,009,285	301,899	(12,979,695)	(6,644,098)	(5,610,067)	(4,762,238)
Other sources and (uses)	(14,063,940)	(3,609,275)	(300,000)	12,789,447	11,800,566	6,580,333	13,197,131
Net change in fund balance	1,096,498	1,400,010	1,899	(190,248)	5,156,468	970,266	8,434,893
Fund balance							
Beginning of year	<u>22,244,531</u>	<u>2,328,269</u>	<u>-</u>	<u>2,243,080</u>	<u>13,355,644</u>	<u>11,785,063</u>	<u>51,956,587</u>
End of year	<u>\$ 23,341,029</u>	<u>\$ 3,728,279</u>	<u>\$ 1,899</u>	<u>\$ 2,052,832</u>	<u>\$ 18,512,112</u>	<u>\$ 12,755,329</u>	<u>\$ 60,391,480</u>
Nonspendable	\$ 1,290,747	\$ -	\$ -	\$ -	\$ 1,184,365	\$ 347	\$ 2,475,459
Restricted	-	3,728,279	1,899	2,052,832	8,413,045	3,358,881	17,554,936
Assigned	2,361,757	-	-	-	8,914,702	9,403,036	20,679,495
Unassigned	<u>19,688,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,935)</u>	<u>19,681,590</u>
Total	<u>\$ 23,341,029</u>	<u>\$ 3,728,279</u>	<u>\$ 1,899</u>	<u>\$ 2,052,832</u>	<u>\$ 18,512,112</u>	<u>\$ 12,755,329</u>	<u>\$ 60,391,480</u>



PROPRIETARY FUNDS

	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service</u>
Operating revenues	\$ 11,362,790	\$ 10,862,480	\$ 5,820,215	\$ 28,045,485	\$ 20,549,253
Operating expenses	<u>8,257,025</u>	<u>7,642,608</u>	<u>2,701,012</u>	<u>18,600,645</u>	<u>19,661,256</u>
Operating income	3,105,765	3,219,872	3,119,203	9,444,840	887,997
Non operating revenues (expenses)	(229,510)	626,837	(8,437)	388,890	18,362
Capital contributions	468,809	-	-	468,809	1,265,641
Transfers in (out)	<u>(951,252)</u>	<u>-</u>	<u>-</u>	<u>(951,252)</u>	<u>(1,807,147)</u>
Change in net position	2,393,812	3,846,709	3,110,766	9,351,287	364,853
Net position beginning of year	<u>43,547,017</u>	<u>59,391,366</u>	<u>47,124,416</u>	<u>150,062,799</u>	<u>(8,820,480)</u>
Net position, end of year	<u>\$ 45,940,829</u>	<u>\$ 63,238,075</u>	<u>\$ 50,235,182</u>	<u>\$ 159,414,086</u>	<u>\$ (8,455,627)</u>
Net investment in capital assets	\$ 34,541,211	\$ 45,853,485	\$ 45,238,407	\$ 125,633,103	\$ 7,532,680
Restricted	1,856,805	-	-	1,856,805	-
Unrestricted	<u>9,542,813</u>	<u>17,384,590</u>	<u>4,996,775</u>	<u>31,924,178</u>	<u>(15,988,307)</u>
Total	<u>\$ 45,940,829</u>	<u>\$ 63,238,075</u>	<u>\$ 50,235,182</u>	<u>\$ 159,414,086</u>	<u>\$ (8,455,627)</u>



ADDITIONAL COMMUNICATIONS

- Auditor Communication letter
 - Auditor’s responsibility under generally accepted audit standards
 - Qualitative aspects of accounting policies and disclosures
 - Significant Estimates
 - Audit Adjustments or Passed Adjustments
 - ◇ None
 - Management Representations
 - Other matters

Single Audit

- Major Federal Programs
 - ARPA
- Major State Programs
 - Recycling
 - Departments of Health Services
- Audit Opinion on Compliance
 - Unmodified
- Internal Control Report and Schedule of Findings and Questioned Costs
 - None

CLOSING

- Records maintained in good order
- Full cooperation received from City staff during audit process
- Expected to submit and receive your 13th GFOA financial reporting award with the 2023 report
- Future audit planning
 - New Accounting Standards – Compensated Absences
 - Other planning matters





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