

**FINANCE COMMITTEE
FEBRUARY 11, 2013 AT 7:01 P.M.
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Alderpersons Beveridge, R. Stroik, Slowinski, O'Meara and M. Stroik

ALSO

PRESENT: Mayor Halverson; C/T Schlice; City Attorney Molepske; Clerk Moe;
Ald. Moore, Suomi, Patton; Directors Lemke, Schrader, Ostrowski, Schatschneider;
Asst. Police Chief Zenner; Fire Chief Kujawa; Deputy C/T Freeberg; Kelley
Pazdernik; Brandi Makuski; Steve Lindsley; Kevin Lin; Matthew Brown;
Corey Ladick; Barb Jacob; David Senfelds; Bob Woehr

ITEM #1 – TID 6 (DOWNTOWN) EXPENDITURE UPDATE.

Director Ostrowski outlined the update he prepared on the TID 6 project that was included in the packet. The costs for legal fees, maintenance and environmental charges could not be calculated in with the first borrowing for the Mall due to unknowns. Those costs have been significant and the potential is there with the environmental issues to be even higher. We have also applied for and received one grant for \$34,500 and are applying for two more grants for the project to see if we can provide some additional funding for environmental costs that have not yet been incurred, but would be eligible. He stated since the memo was drawn up, the Dunham purchase has since fallen through, so the \$400,000 needs to be taken out of the revenues, leaving the amount that is needed to finish the project at between 1.6 and 1.7 million to complete. That amount would include dealing with the 3 issues involving the environmental, the Normington Dry Cleaners on the northwest corner of the parking lot, the Dunrite Dry Cleaner portion and the Mid-State component. The Normington Dry Cleaner material is migrating to the southwest and going under the Mid-State building causing some vapor issues. Per the contract with Mid-State we are required to remediate those issues under the Mid-State building.

Ald. M. Stroik questioned when we will know the status of the grants. Director Ostrowski stated about 4-5 weeks but that they will only cover any costs that are not incurred and are eligible for those particular grants. Mid-State is currently bidding out their construction documents for the remodel and the benefit of doing the environmental now with Mid-State now is that we can use those plans and specifications to be constructed with Mid-States improvements so we can save costs and we are not ripping up a new Technical School to install an environmental vapor mitigation system. He anticipates the grants to be about \$100,000 - \$200,000.

Mayor Halverson stated we would want the full 1.7 million with the understanding that with the sale of the Dunham property would come directly back to the City under this case. Any grants that are awarded for environmental would also come back to the City. He stated the reason the City said no to the Dunham situation is that we knew we needed a lot of public parking to support what is going on downtown, we have to make the investment. What the developer was looking for was a guarantee that it would stay public parking forever and we did not feel we wanted to revisit a situation where we had zero flexibility, much like the original Mall issue. We did not want to agree to that not knowing what could happen in 25 – 30 years. He stated this would be the last expenditure that we would have to make and we know we have enough of a range at the 1.7 million number to cover the worst case scenario of the estimates that have been highlighted by AECOM now that we know and understanding the boring results.

C/T Schlice stated that he looked at a number of different financing options for this project and he is recommending a 10 year note with a 24 month call provision. What that means is that in 24 months we could call a portion, or the whole thing, but probably a portion because we will know exactly what our costs were from this project and he believes we are on the strong end

and hopefully we will come in under that and any funds we have from the sale of the building, if we have fund balance you want to allocate at the time, at that point, we could restructure the note to bring down the cost of the interest. There are some unknowns here, which is why he is looking at a 24 month call provision. It will cost us a couple of basis points more to do that but in the long run we would save on interest because we would be able to pay off a portion of it.

ITEM #2 – AUTHORIZATION TO COMMENCE BORROWING FOR THE TID 6 (DOWNTOWN) PROJECT.

Ald. R. Stroik questioned what effect the 1.7 million will have on the taxpayer. There is 21 years left in that TID so is it a 10 year note or is it paid at the end of the TID.

C/T Schlice stated it would be a 10 year note and anything the taxpayers would upfront through the tax levy on that would be returned to the taxpayers when the district was complete at whatever the taxpayers paid, plus interest.

Ald. R. Stroik questioned what that means on the 2014 tax bill, is the 1.7 million going to cost them.

C/T Schlice stated he would plan on structuring it so that there would be minimal impact on the 2014 tax levy. He structures the loans so that we look and see what the total debt service is each year and he tries to keep it relatively level so that there are not any big spikes or valleys. The overall impact, worst case scenario, maybe .50 cents, but probably more like .25 to .30 providing no other changes are there and there is no other revenue.

Director Ostrowski stated with regards to the environmental, this is his best guess estimate as to what is remaining there. We have done a number of borings out there, we have met with the DNR and have determined what they are going to require us to do and this is the best guess, high estimate as to what is remaining. There could be an issue if another hot spot is found, but what we have seen from the borings that we have done, the DNR only wants us to identify the plume area that is left under the Mid-State portion as well as the Dunham Building.

Dave Senfelds, AECOM, stated their cost estimate was based on conversations with the DNR following the data acquisition that recently completed. A number of scenarios were completed for additional remediation that may be required and we looked at what we thought the worst case scenario would be. In all likelihood, those costs will not be fully realized because he believes the clean-up can be done for less than that, but we wanted to make sure for requesting grant money that we make sure we have enough in the budget to make sure we have enough to cover what we need to do and we did include some contingency in there.

Corey Ladick, 4517 Nicolet Avenue, stated he wanted to give a second opinion on the financing structure for this project. He is concerned over interest rates, stating a 10 year will be more and does not want us to pay for something and not use it. He recommends that we plan better so that we get a clear direction on whether we go with a two or ten year financing on the project.

Barb Jacobs, 1616 Depot Street, stated she feels we do not have a choice but to do the project. She does not like continuing to throw money at the Downtown, but after conversations with Director Ostrowski and C/T Schlice, she understands we do not have a choice. Our contract says we will clean up the Mid-State property. She said she supports the borrowing of the money to finish the project.

Ald. O'Meara stated the biggest expense is environmental but we do not have a choice because it has to be cleaned up for the future of the Downtown and for potential health concerns. He supports proceeding with cleaning up the environmental issues and parking.

Motion made by Ald. O'Meara, seconded by Ald. Slowinski to approve the authorization to commence borrowing for the TID 6 (Downtown) project.

C/T Schlice replied to Mr. Ladicks comment stating that he did state in his notes that he did look into a two year option with a balloon and refinancing and in talking with the banks and other financial people, he concurred that we should lock in the lowest rate possible right now rather than take a gamble on what the rates could be in two years. This would give us the most flexibility.

Ald. Slowinski stated he also feels we have no choice that we have to proceed with the borrowing so that we can move forward and finish this project. He also stated he feels some issues could have been dealt with differently.

Ayes: All Nays: None Motion carried.

ITEM #3 – UPDATE FUND BALANCE POLICY.

C/T Schlice stated the fund balance policy had a typo in it, which read we had a 2 - 4 month fund balance, when it should have said 4 – 6 months, so this is just updating the policy.

Motion made by Ald. R. Stroik, seconded by Ald. Slowinski to approve updating the fund balance policy.

Ald. Beveridge questioned item #4, which talked about unassigned fund balance shall not be used to support recurring operating expenditures. He questioned if that is what we were doing.

C/T Schlice stated no we were applying it to capital projects or debt service, but never operational. Our fund balance is just over 50% of operational expenditures and we are one of the strongest municipalities in Wisconsin.

Ald. Suomi questioned item #7, which says the policy needs to be reviewed by the Finance Committee every three years. She wanted to know what year this was.

C/T Schlice stated we are in year 2 right now but he wanted to bring it to committee to get the numbers corrected. It would need to be reviewed again 3 years from now, so February of 2016, unless GASB requirements change and we need to change something else on the policy.

Ayes: All Nays: None Motion carried.

ITEM #4 – APPROVAL OF PAYMENT OF CLAIMS.

Motion made by Ald. O'Meara, seconded by Ald. M. Stroik to approve the payment of claims in the amount of \$8,459,114.64.

The claims were discussed.

Ayes: All Nays: None Motion carried.

Adjournment at 7:33 p.m.