



CITY OF WAUWATOSA
FINANCIAL AFFAIRS COMMITTEE
AGENDA • NOVEMBER 14, 2017

Regular Meeting

Committee Room #2

7:30 PM

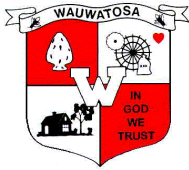
7725 West North Avenue, Wauwatosa, WI 53213

FINANCIAL AFFAIRS COMMITTEE ITEMS

1. Memo from the Finance Director presenting an update on the financial status of Tax Increment District 5 and 6
2. Memo from the Finance Director presenting the 2017 General Fund projection based on third quarter results

Any person who has a qualifying disability as defined by the Americans with Disabilities Act who requires the meeting or materials at the meeting to be in an accessible location or format, must contact the City Clerk at voice telephone 479-8917 or TTY 471-8484 (City Hall, 7725 W. North Avenue, Wauwatosa, Wisconsin 53213) for accommodations. Requests for accommodations for meetings should be made at least three (3) business days prior to the meeting. Every effort will be made to arrange accommodations for all meetings; so please give the City Clerk as much advance notice as possible.

CITY OF WAUWATOSA
MEMO



To: **Financial Affairs Committee**

From: **John Ruggini**

Date: **November 10, 2017**

Subject: **Memo from the Finance Director presenting an update on the financial status of Tax Increment District 5 and 6**

A. Issue

This report was prepared to keep the Financial Affairs Committee updated as to the financial performance of the Tax Increment Districts. This report addresses districts five and six.

B. Background/Options

Tax Increment District Five - Mayfair Medical

Year created: 2007

2017 Incremental Value: \$14,101,600

12/31/17 Fund balance (est): \$169,961

The Mayfair Medical building is a pay-as-you-go district wherein the developer financed the parking structure in order to construct a larger and denser facility and is reimbursed those costs out of the tax payment received each year. The last Municipal Revenue Obligation payment was made in 2017 and the District was authorized to remain open for an additional year to generate proceeds for affordable housing. An estimated \$341,065 will be available for this purpose. Staff are awaiting completion of the housing policy implementation plan before recommending a project.

Tax Increment District Six - Innovation Campus

Year created: 2010

2017 Incremental Value: \$106,909,400

12/31/17 Fund balance (est): \$680,039

The City of Wauwatosa created Tax Incremental Finance District Number 6 in 2010 to facilitate the creation of UWM Innovation Campus that will ultimately include an advanced degree engineering school for the University of Wisconsin-Milwaukee.

The table below shows the current incremental assessed value as compared to the original projection.

Project	Full Build Out Projection based on 2010 Springsted Report		Completed Projects Updated 11/07/2017	
	Value	Sq. Feet/Units	Value	Sq. Feet/Units
Accelerator Building	\$ 3,000,000		\$ 989,800	
Academic Buildings	\$ -	400,000	\$ -	TBD
Residential	\$ 16,150,000	190 Units	\$ 23,161,200	192 Units
Office Research	\$ 54,506,250	475,000	\$ 38,154,400	245,000
Retail and Other	\$ 14,407,500	113,000	\$ 10,370,300	-
Personal Property			\$ 8,738,600	
Land and Other	\$ 13,550,000		\$ 16,759,230	
TOTAL VALUE INCREMENT	\$ 101,613,750	NA	\$ 98,173,530	NA

Based on total value, the current projects have nearly exceeded the full-build out projections. The feasibility study assumed \$50,805,000 in value by this point in time. However, it should be noted that the feasibility study did not contemplate the expansion of TID 6 into the Research Park. If the Meadowlands building was not include in the Tax Increment district, the total value would be approximately \$73,000,000.

The Accelerator building has decreased in value from \$6,186,000 to \$989,800 (not including land or personal property) due to the tax-exempt tenants occupying a significant amount of space in the building. However, the City has confirmed with the Economic Development Administration of the Federal Department of Commerce that this is not in violation of the City's grant agreement. The reporting requirements related to the grant concern program income and job creation. In both cases the City remains in compliance. David Gilbert from the University of Wisconsin Milwaukee Foundation will be available at the meeting to speak to the research activity occurring at the Accelerator, the businesses that have graduated and the long-term vision for future innovation.

As has been discussed, the academic buildings intended to house the University of Wisconsin Milwaukee Graduate School of Engineering have been left out of the State's prior two biennial budgets which has presented a significant challenge to the development of the campus. The University of Wisconsin-Milwaukee continues to advocate that they be constructed. The next opportunity for funding would be the 2019-2021 biennial budget.

The residential buildings constructed at the Eschweiler buildings are out-performing projections in terms of property value by 43%. The apartments are 93% leased which is expected at this time of year. Lease-up was a little slower than anticipated, but it was due to a delay in the delivery of the last couple of buildings. Without the delay, the developer believes they would have been leased up in a year, as anticipated. Demand has been primarily from Millennials but the larger apartments have been rented to the empty-nester demographic. Data provided by the developer demonstrates that residents move to Echelon from across the country with a concentration from the Midwest. Out of State residents account for 28% of residents. Just 10% of renters moved from Wauwatosa. 36% of current residents work in Wauwatosa.

The hotel is also performing well. At a value of approximately \$81,000 per room it is currently our highest valued hotel on a per-room basis. According to the General Manager, business has been steady with 31,487 room nights year-to-date.

Perhaps most importantly from a financial perspective, the Tax Increment District has a positive cash flow. In 2017 the anticipated year-end surplus is \$353,683 which will grow to \$1,070,683 in 2018. In

2017 the debt coverage ratio is 1.38 which will increase to 2.14 in 2018. The City's policy minimum is 1.25 for a TID.

The challenge before the City is achieving balanced development as envisioned for this campus that maximizes property value and job creation. As has been discussed, this will require substantial structured parking. The present value of the future cash flow assuming current property values, current obligations and the construction of the round-about is \$18.1 million if the district were to remain open the full 27 years. Assuming \$18,000 per structured parking spot, this would provide 1000 parking spots which, assuming a parking ratio of four spots per 1,000 square feet, is sufficient to support 250,000 square feet of commercial development. This demonstrates that the district is in excellent position to support future parking requirements but future building increment will be needed to achieve full-build out. The ability to achieve full build-out will depend on the pace at which future buildings are constructed and how the parking demands are met.

Overall, TID Six is doing remarkably well given the amount of infrastructure the City had to build to facilitate development. However, the City and UWM Foundation will need to be strategic going forward in terms of the commercial buildings that are constructed and how their parking demands are met in order to achieve full build out. Given the clear likelihood for at least two large parking structures, the City should also begin to investigate whether or not those should be publicly or privately owned.

C. Strategic Plan (Area of Focus)

This report relates to the Economic Development area of focus of the goal: PROPERTY VALUE: Increase City's property tax base in a balanced and strategic manner and to the specific tasks of implementing recommendations in commercial district master plans.

D. Fiscal Impact

This report is for informational purposes only.

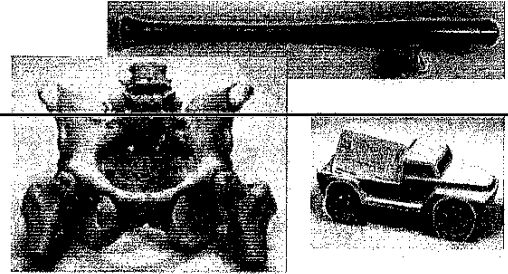
E. Recommendation

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PROTOTYPING CENTER

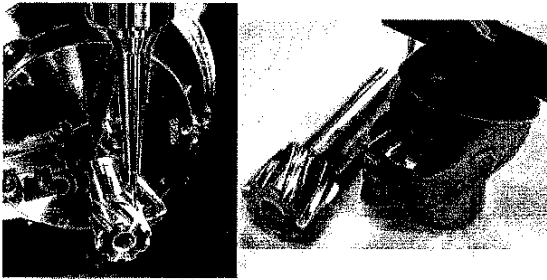
How can we help?

- DESIGN
- PROTOTYPE
- PROOF OF CONCEPT
- FABRICATION
- ENGINEERING
- PILOT MANUFACTURING

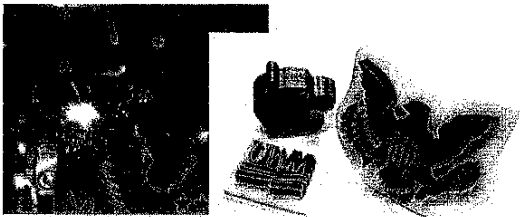


Fabrication & Prototyping

5-AXIS MACHINING can reproduce complex contoured surfaces – including human mimetic shapes or joint surfaces – in various types of metal or plastic; suitable for orthopedic implants or medical pump impellers.



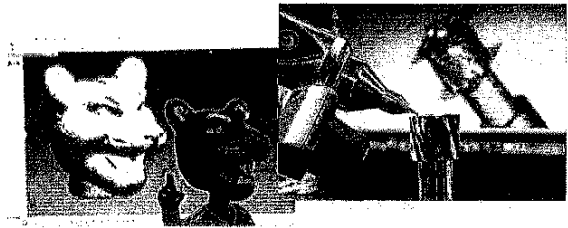
WIRE EDM can produce parts with incredible precision and accuracy to make highly-detailed components in any metallic materials. The EDM process can cut through extremely hard materials with ease that cannot otherwise be machined.



APPLICATION CAPABILITIES:

- MEDICAL TOOLS/DEVICES
- PROTOTYPE SURGICAL IMPLANTS
- DIAGNOSTIC DEVICES
- ERGONOMIC BRACES, SPLINTS
- CLINICAL TEST EQUIPMENT
- MECHANICAL SYSTEMS
- HOUSINGS, PANELS, ENCLOSURES
- INJECTION MOLD TOOLING
- VACUUM FORM TOOLING
- DIES AND PUNCHES

3D FDM PRINTER uses fused deposition modeling to create parts through additive manufacturing with high-strength biocompatible plastics suitable for tools, ergonomic braces, and medical device prototypes. Also useful for proof-of-concept models with production-intent finishes. Can print models of bones or tissues from patient CT or MRI scans for preoperative planning.



LASER SCANNING AND CMM maps simple or complex shapes – including contoured surfaces – to enable design through reverse engineering shapes and converting them to digital models. Also useful for quality assurance, inspection, and can duplicate shapes using rapid prototyping via 3D printing or machining processes.

MATERIAL CHOICES we can use for machining and 3D printing can produce development models and functional, production-quality parts. Choices include:

- Metals – various grades of aluminums, steels, stainless steels, titanium, and others. Parts may then be processed following machining with anodizing, heat treating, tempering, stress relieving, and more.
- Industrial Plastics – thermoplastics and engineered plastics that may be biocompatible and suitable for sterilization, applications in food and drug packaging and medical devices; plastics with high heat and chemical resistance and good durability and machinability; plastics capable of replicating final manufacturable grades and strength with 3D our printer that can be finished to a smooth appearance.

Contact: KYLE JANSSON, Director, UWM Innovation Accelerator Prototyping Center, 414.316.3081, jansson@uwm.edu



INNOVATION ACCELERATOR - PARTNERS



Academic researchers work with industry partners in critical areas – including prototype development, bio-sensing, biomedical engineering, patient rehabilitation and drug discovery - to provide services to industry, create jobs and provide educational opportunities for students.



Innovation Campus Prototyping Center
Center Director, Kyle Jansson, assists entrepreneurs, academics, startup companies and major corporations with design, prototyping, fabrication and pilot manufacturing of new and innovative products. This center is one of the most sophisticated engineering/prototyping centers in the Midwest.



Junhong Chen uses nano-technology to create the next generation of sensors with applications in biosensing as well as sensing in water and gas applications. He has two patents issued through the UWM Research Foundation, and founded **NanoAffix Sciences LLC** to commercialize his work. The company has received two small business innovative research (SBIR) grants.



Naira Campbell studies biomechanics of the spine and hand. Her work has developed tools that are more ergonomic and lead to reduced injury. Her research was recently licensed by **Snap On Incorporated** which has brought one of her first tools to market.



Brooke Slavens uses her expertise in rehabilitation engineering, pediatric mobility, and orthopedic biomechanics to design new products to enhance mobility for persons with disabilities. Dr. Slavens is currently partnering with **intelli-Wheels, Inc.** to develop an automatic transmission for manually propelled wheelchairs through an NIH Phase II Small Business Innovation Research (SBIR) grant.



Concordia Drug Discovery Lab is home to drug discovery facilities in the Innovation Accelerator, including a GMP (good manufacturing practice) pilot plant and a laboratory for analytical, formation and process chemist. These facilities are used by startup companies and support new educational programs aimed at drug discovery in partnership with **Cambridge Major Laboratories**.



BioForward Wisconsin is the leading advocacy group for the State's rapidly expanding Biohealth Industry. They promote the growth of the industry through governmental relations, workforce development initiatives, informational programming and purchasing consortiums.



Metria Innovation uses Moiré Phase Tracking technology that utilizes a single camera for motion capture. Metria's MPT technology provides 3D measurements using highly-engineered specific markers and has up to 30 times better accuracy than comparable multi-camera systems. Metria's motion tracking systems are running on more than 20 MRI Scanners in the US, Europe, and Japan.



RPRD Diagnostics is a precision medicine company focused on providing comprehensive pharmacogenetics testing services, which analyze patients' genomes for variations that are known to impact drug safety and efficacy. Bringing a cost-effective genetic screening service into routine clinical practice will enable healthcare providers to tailor drug prescriptions to individual patients.

Aurora Research Institute

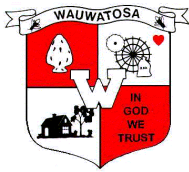
Aurora Research Institute has research specialists committed to conducting cutting edge bench and clinical research, integrating this knowledge at the patient's bedside and communicating valuable patient centered results to the community. Their work at the Innovation Accelerator focuses on creating new collaborations with partner institutions and getting new technologies to market.



Bridge to Cures, Inc. is dedicated to helping inventors bring their innovative ideas to market to provide medical advances that maximize social impact and financial return to inventors and investors, while sustaining a fund that will continue to invest in new companies and products.

Contact: **DAVID H. GILBERT**, Executive Director, UWM Innovation Campus, 414.906.4670, dhg@uwmfdn.org

CITY OF WAUWATOSA
MEMO



To: **Financial Affairs Committee**

From: **John Ruggini**

Date: **November 09, 2017**

Subject: **Memo from the Finance Director presenting the 2017 General Fund projection based on third quarter results**

A. Issue

An important component of budget management is monitoring current year expenditures and revenues as compared to budget. In order to facilitate this comparison, the Finance Department produces a quarterly projection of year-end General Fund revenues and expenditure surplus and deficits. This report is based on third quarter results.

B. Background/Options

In order to monitor expenditures and revenues, a quarterly report is provided to the Financial Affairs Committee. Attached is a projection of the year-end General Fund results based on actual performance from January-September 2017.

Attachment 1 presents the results of this analysis. Line-item accounts have been summarized into larger groupings that tend to behave similarly (e.g. electrical, plumbing and building permits are all rolled up into "Building Permits.") The projection from the third quarter is presented in the "Surplus/(Deficit) Q3 column. The projection shows the anticipated surplus/deficit as of the end of this fiscal year based on results from the first quarter and the City's spending pattern over the past ten years. Positive numbers represent revenue and expenditure surpluses. Prior quarter projections are shown for informational purposes. A second quarter forecast was not completed.

The "Variance to Budget as a % of Total" shows how much the projected year-end surplus/deficit is as a percentage of the budget for that category. A stop-light key is used to classify the magnitude of the percentage variance. The "Prior Year Q3 Variance" shows the difference in the results year over year from the third quarter in 2017 minus the results from the third quarter in 2016. For this column, a negative revenue number represents a decrease in revenue from the same period in 2016. A negative expenditure number represents a decrease in expenditures from the same period in 2016.

The following provides a summary of significant issues:

Revenues

1. Hotel/Motel taxes are showing a \$117,802 surplus consistent with the first quarter projection. This 10.9% increase is due to the new Residence Inn opening on Discovery Parkway as well as an increase in the daily average rate charged by hotels. However, this entire surplus must be spent by the Tourism Commission as it exceeds the statutory maximum that the City can retain. As a result it is offset under "Other Issues" so it has no impact on the General Fund surplus.

2. Building permits is forecasted to surplus by \$470,885, 49.4% over budget indicating another very strong construction and development year. The third quarter was \$109,164 lower than the same period last year suggesting a slight slow-down. 2016 was the highest year on record for building permit revenue.
3. Public Safety Violations continues to lag in 2017. Parking Violations is currently showing a \$137,340 deficit. Municipal citations is forecasted to deficit 31%, or approximately \$187,000. Police vacancies are certainly impacting revenue as the number of citations issued is down. The online-bill pay option went live in April so that will have a positive impact on the deficit. In addition, the Municipal Court submitted an application to the State Debt Collection program which should also assist. This revenue budget has been adjusted downward in 2018. However, it is important to note that it is offset by police wage savings.
4. Ambulance revenue is showing an 8.4% deficit due to a slow-down in billed transports. This was adjusted for in the 2018 budget and should be mitigated at year-end by collections revenue which is not included here.
5. Other Revenue is up nearly 61% over budget. This is due to a number of factor some of which include higher 4th of July contributions, greater than budgeted donations to the Fire Department, an unbudgeted grant received by the Historic Preservation Committee, sale of surplus City Equipment and the P-card rebate which was \$15,443 higher than budget.

In total revenues are projected currently to surplus by \$427,516.

Expenditures

1. Based on third quarter results, regular pay is forecasted to surplus by 3.0% or \$784,947. This is a surplus above the 1.5% attrition rate included as part of the 2017 budget. A significant portion of the surplus related to police vacancies which is then offset by below budget parking and citation revenues.
2. Overtime is showing a \$78,932 surplus attributable largely to the mild winter. However, overtime incurred in Engineering and Fire is over-budget so depending on activity in the fourth quarter, this surplus could be reduced.
3. The fringe benefits surplus is simply a function of the salary savings as they consist of pension contributions and social security which is calculated as a percent of salary. However adjustments have not been made to the transfers to the Workers Compensation or Health Insurance Reserve funds.

Through the end of October, the City had experienced 33 worker compensation claims for an estimated \$370,685. Annualized, this would represent 40 claims at a cost of \$444,834 which would be under the \$620,000 budget by approximately \$180,000 assuming no change in prior year unpaid claims. Workers compensation is highly volatile so the surplus may or may not materialize. Regardless, City staff will continue to monitor it.

Health insurance claims have moderated since the first quarter and staff are projecting a 1.3% surplus of \$94,354 in claims. While weekly claims remain higher than average, they have decreased from \$260,000 per week in the first quarter to \$150,000 per week for the year to date. In addition, a significant amount of the increase has been covered by stop-loss

insurance.

4. Utilities are forecasted to deficit by -5.1%. This is entirely due to electricity which is projected to deficit by \$44,330 or nearly 9.3%. This is largely caused by electricity for street lights and is likely due to under-budgeting caused by portions of the street light grid in previous years to be darkened for construction.
5. Due to conflicting forecasts, Interdepartmental charges are currently shown as budget neutral.
6. Contractual services is showing a \$98,762 deficit. This is due to litigation costs related to property tax appeals which is offset by lower than budgeted costs for solid waste transfer costs.
7. Other Expenses is posting a \$250,358 deficit entirely due to the Walgreens property tax settlement that was paid in March. However, 30% of this will be recovered from the other taxing jurisdictions as shown under "Other Issues" and the remainder will be covered by contingency funds.

In total expenditures are projected currently to surplus by \$578,606.

Summary

Based on the revenue and expenditure projections described above, the General Fund is forecasted to have a \$1,138,679 surplus. This represents a variance of 1.94% of total budgeted expenditures and would increase total fund balance from 16.0% to 18.0% of 2017 general fund expenditures. The target is two months of expenditures which equals 16.7%

C. Recommendation

This report is for informational purposes only.

Budget to Actual General Fund Quarterly Report

	Surplus/ (Deficit) Q1	Surplus/ (Deficit) Q3	Variance to Budget as a % of Total	Prior Year Q3 Variance
General Fund Revenues				
Property Taxes	-	-	● 0.0%	NA
Other Taxes	(7,396)	(9,011)	▲ -2.1%	→ -
Hotel Motel	135,692	117,802	● 10.9%	↑ 74,932
State Shared Revenue	-	-	● 0.0%	↓ (274,297)
State and Federal Grants	-	-	● 0.0%	↑ 12,868
Licenses	1,450	12,321	● 4.4%	↑ 4,555
Building Permits	372,174	470,885	● 49.4%	↓ (109,164)
Other Permits	1,885	16,146	● 5.9%	↓ (2,449)
Public Safety Violations	(231,158)	(280,116)	◆ -20.6%	↓ (1,145)
Other Fees	25,861	101,879	● 5.2%	↓ (29,191)
Ambulance Fees	(37,765)	(119,221)	▲ -8.4%	↑ 13,255
Intergovt Revenue	8,220	27,742	● 1.8%	↑ 1,360,459
Interest Earnings	-	-	● 0.0%	↑ 35,604
Other Revenue	2,951	89,091	● 60.5%	↑ 23,457
subtotal	271,916	427,516		
Transfers In				
Transfer from Water Utility	-	-	● 0.0%	NA
Other Transfers	-	-	● 0.0%	NA
subtotal	-	-		
General Fund Expenditures				
Regular Pay	192,680	784,947	● 3.0%	↓ (38,135)
Overtime	71,576	78,931	● 6.5%	↓ (4,931)
Fringe Benefits	27,842	113,425	● 0.9%	↑ 78,465
Operating Expenditures	3,666	(20,879)	● -0.8%	↑ 9,879
Utilities	(25,297)	(28,697)	▲ -5.1%	↓ (10,779)
Inter-dept Charges	149,003	-	● 0.0%	↑ 31,588
Contractual services	(88,035)	(98,762)	▲ -4.0%	↑ 58,081
Other Expenses	(249,924)	(250,358)	◆ -13.1%	↑ 41,611
subtotal	81,511	578,606		
Transfers Out				
Transfer to Other Funds	-	-	● 0.0%	NA
Transfer to Amortization Fund	-	-	● 0.0%	NA
Transfer to Debt Service Fund	-	-	● 0.0%	NA
Transfer to Parks Reserve	-	-	● 0.0%	NA
Insurance Reserve Funds	-	-	● 0.0%	NA
subtotal	-	-		
Other Issues				
Chargeback revenue	74,977	75,108	● 0.0%	NA
Contingency Fund	174,947	175,251	● 0.0%	NA
Tourism Commission transfer	(135,692)	(117,802)	● 0.0%	NA
	0	-	● 0.0%	NA
subtotal	114,232	132,557		
GRAND TOTAL SURPLUS/(DEFICIT)	467,658	1,138,679		
APPROPRIATED SURPLUS APPLIED	-	-	18.0%	Forecasted Fund
CHANGE TO FUND BALANCE	467,658	1,138,679		Balance as % of Exp
% Variance of total budget	0.80%	1.94%		

> -2%

< -2% and >-9%

< -10%

↑ Increase over prior year
Exp/Rev

↓ Decrease over prior year
Exp/Rev

Attachment: 2017 Quarterly Projections_Q3 (2017 General Fund Third Quarter Report)