COMMITTEE OF THE WHOLE MEETING

The Common Council of the City of Ashland will meet as the Committee of the Whole on July 30, 2019 immediately following the City Council meeting which begins at 5:30 PM in the Ashland City Hall Council Chambers.

The following items will be considered:

1. Roll Call
2. Council President's Report
3. Administrator's Report
4. Approval of Agenda
5. New Business
   - A. Budget 101 Presentation *(Administrator Kucera)*
   - B. Retreat Follow-Up Discussion *(Councilor Ullman)*
   - C. Proposal to Explore Installation of a Tornado Siren *(Councilor Haas)*
   - D. Discussion on Alternatives for Financing the Police Facility *(Councilor Ullman)*
   - E. Redevelopment Authority (RDA) Questions and Discussion *(Councilors Ullman and Haas)*
6. Adjournment

The City of Ashland does not discriminate on the basis of sex, race, creed, color, national origin, sexual orientation, age or disability in employment or provision of services, programs or activities.

NOTE: Upon reasonable notice, the City of Ashland will accommodate the needs of disabled individuals or individuals with limited English proficiency through auxiliary aids or services. For additional information or to request this service, contact Denise Oliphant at 715-682-7071 (not a TDD telephone number) or FAX: 715-682-7048

SUBJECT: **New Business**

RECOMMENDATION:

DEPARTMENT OF ORIGIN:

CLEARANCES:

EXHIBITS:

FINANCIAL IMPACT:

SUMMARY STATEMENT:

SUBJECT: **Budget 101 Presentation** ***(Administrator Kucera)***

RECOMMENDATION:

DEPARTMENT OF ORIGIN: Administrator

CLEARANCES: Council President

EXHIBITS:

FINANCIAL IMPACT:

SUMMARY STATEMENT:

Before we begin drafting the FY 2020 budget, I believe it is imperative to review the basics of municipal budgeting with the City Council. A Presentation will be reviewed together at the time of the meeting.

Ref: 2019-125 **COMMITTEE AGENDA: 5.B. (7/30/2019)**

SUBJECT: **Retreat Follow-Up Discussion** ***(Councilor Ullman)***

RECOMMENDATION:

DEPARTMENT OF ORIGIN: Councilor Ullman

CLEARANCES: Council President

EXHIBITS: 1. Council Retreat Group Discussion Results

FINANCIAL IMPACT:

SUMMARY STATEMENT:

As a refresher, when the participants of the retreat voted on priority areas in the category of barriers or procedures that hinder productivity, "communication improvements" received the most votes. In the category of strategies to improve your role, "transparency and communication with the public" received the most votes.

Please review your own notes and materials from the retreat and come prepared with questions and ideas for future action or discussion based in the areas of transparency and communication, or other themes of importance that emerged from the retreat.

We will also begin a discussion about 1) updating the strategic priorities (see attached) and 2) articulating more specific items that fall within the existing priority areas. This discussion relates to the upcoming budgeting process and can provide direction for city staff as they prepare their proposed budgets. The City Administrator will explain the more formal strategic planning process that he would like to implement going forward.

Council Retreat, May 31, 2019
Results from Group Discussions

GROUP DISCUSSION & REPORTING

a) What are the barriers/procedures that prevent us/you from being productive in my role
    i) Update technology – 1
    ii) Police department facility – 5
    iii) Communication improvements: processes, info to constituents – 6
    iv) Little vs. big picture – 3
    v) Not enough money – 3
    vi) City council preparation & training
    vii) Resistant to change – 2
    viii) Increase public input
    ix) Time and ability to be informed
    x) Media sucks
    xi) Financial information and processes – 1
    xii) Increasing tax base therefore services
    xiii) Personal bias/preferences
    xiv) Spread too thin
    xv) Us vs. them attitude

b) One strategy to help you improve in your role
    i) Open minded & neutral – 2
    ii) Personal: get more informed – 1
    iii) Trust the pros – 3
    iv) Learning the ability to say no – 3
    v) Define roles & responsibilities for the public
    vi) Transparency
    vii) Better active listening for all – 3
    viii) Professional development – 3
    ix) Public input – 2
    x) Important communication – 3
    xi) Communication to the public – 4

c) Big Picture: What is at least one way to be part of a solution to help the City of Ashland
   i) Inform the community effectively – 7
   ii) Calming presence for the community – 1
   iii) Active within the wards – 2
   iv) Be more approachable (Council)
   v) Open-minded & open to change – 7
   vi) Positive/solution based communication/language
   vii) City ambassador – 1

d) Ten years from now, Ashland will be known for...
   i) Destination of the North
   ii) Vibrant downtown
   iii) Small town that thrives
   iv) Clean water/lake
   v) Most diverse small town
   vi) Quality housing for all
   vii) Quality infrastructure
   viii) Good wages
   ix) Civically engaged population
   x) Better than Duluth
   xi) Awesome place for family

COLLECTIVE GOALS

- IMPROVED CUSTOMER SERVICE
- CITY-WIDE COMPRHENSIVE TRAINING PROGRAM
- DEVELOP CITY-WIDE POLICIES & PROCEDURES
- THRIVING & VIBRANT DOWNTOWN
- DEVELOP CAPITAL IMPROVEMENT PLAN
- UPGRADE/IMPROVE CITY FACILITIES
- QUALITY HOUSING WITH DIVERSE OPTIONS AND SUPPORT FOR ONGOING MAINTENANCE
- SAFE & RELIABLE INFRASTRUCTURE
- DEVELOP NEW REVENUE SOURCES TO SUSTAIN OPERATIONS
- REPAIR WATER INTAKE AND ADDRESS I & I ISSUES
- CITY-WIDE PUBLIC RELATIONS PROGRAM

Ref: 2019-126 **COMMITTEE AGENDA: 5.C. (7/30/2019)**

SUBJECT: Proposal to Explore Installation of a Tornado Siren *(Councilor Haas)*

RECOMMENDATION:

DEPARTMENT OF ORIGIN: Councilor Haas

CLEARANCES: Council President

EXHIBITS:

FINANCIAL IMPACT: Unknown

SUMMARY STATEMENT:

The City of Ashland does not have a tornado siren. Due to the increasing severity of storms as a result of climate change it may be the case that our region could be at increased risk for tornadoes. Counselor Haas will explain his reasoning behind this proposal, and council will determine if it is worthwhile to explore the installation of a siren.

Ref: 2019-127 **COMMITTEE AGENDA: 5.D. (7/30/2019)**

SUBJECT: **Discussion on Alternatives for Financing the Police Facility** ***(Councilor Ullman)***

RECOMMENDATION:

DEPARTMENT OF ORIGIN: Councilor Ullman

CLEARANCES: Council President

EXHIBITS:

1. Memo from Administrator, June 7, 2019
2. Examples of Financing Estimates for Discussion Purposes Only
3. Estimates of State Trust Fund Loan and Bank Loan Options

FINANCIAL IMPACT:

SUMMARY STATEMENT:

Because the RDA item was tabled and it is still unclear if we will be able to build consensus about utilizing the RDA as a vehicle to fund the construction of the police station, this agenda item presents and opportunity to explore alternative options for financing the construction of the police station. The most recent summary prepared by the City Administrator is attached as a starting point for a discussion of funding options that do not require the use of an RDA. Also included are the original estimates for different borrowing options prepared by the Finance director, as well as additional estimates for 20-year loan options.

The staff recommendation was to pursue 20 year borrowing. If the council wishes to proceed with this recommendation, options include A) a bank loan or B) a State Trust Fund Loan. According to the estimates, these options would both require an increase in taxes equivalent to $50-$60 per $100,000 of assessed valuation. Both of these borrowing options would count towards our state imposed debt limit.

Find yourself next to the water.

ASHLAND

City of Ashland, Wisconsin
601 Main Street West — Ashland, WI 54806 — www.coawi.org

To: City Council

From: Brant Kucera, City Administrator

Date: June 7, 2019

RE: Financing Options for New Police Station

At the last Committee of the Whole meeting it was decided that we should discuss possible financing options for the Police Station building at the next meeting. Although you have previously seen some of the information in this agenda bill I have tried to include more detail for each funding option.

Each of the following options has positive and negative aspects. Although staff has made an earlier recommendation we want information to be presented in an unbiased fashion. The purpose of this agenda bill is to simply provide council with the knowledge that is necessary to make an informed decision.

First, it is important to understand the distinction of the types of debt the City could issue for the Police Department building. There seemed to be some confusion around this issue, hopefully the following chart will provide more clarity. If the City is unable to obtain other sources of funding, i.e. grants and/or donations, the following funding options are all we really have:

General Obligation:

- Backed by the full faith and credit of the taxing power of the municipality
- Usually issued to finance non-revenue generating long-term capital improvements
- State of WI limits total general obligation principal outstanding to 5% of equalized value
- State of WI mandates that the indebtedness be repaid within 20 years
- The annual debt levy is unlimited and raised or lowered by the annual debt payments

Options:	General Obligation Bonds	General Obligation Notes	General Obligation Bank Loan	State of WI Trust Fund Loan	Redevelopment Authority
Initial term years	Up to 20	Up to 10	Up to 20	Up to 20	May issue bonds, notes, bank loan, St Trust Fund Loan as listed to the left
10 year extension	No	Yes	No	No	
	(All limited to a maximum of twenty years)				
Overall maximum term	Up to 20	Up to 20	Up to 20	Up to 20	Up to 20 *Except: USDA-RD funding available up to 40 years through RDA only*
Subject to Referendum: If petition signed by 10% of electors	Yes	No	No	No	No
Subject to 5% of equalized value test	Yes	Yes	Yes	Yes	No

It is important to point out public utilities can issue revenue bonds. Because repayment of this type of debt is paid through fees charged by the utility they are not calculated in the 5% equalized value test. Debt can also be repaid over 40 years without the need for an RDA. This option is only available to utilities and cannot be used for the Police Department.

The length of time we bond for can affect whether we see options as positive or negative. As you think about the financing options for the police station the following pros and cons should be considered:

Short-term Pros: Pay less interest, loan is paid back quicker, would not impact the affordability of future bond issues

Short-term Cons: Higher annual debt service payment, higher tax increase, could affect bond rating, costs aren't shared by more than one generation

Long-term Pros: Lower annual debt service payment, lower tax increase, costs are shared by multiple generations

Long-term Cons: Pay more interest, debt will be on the books longer, could affect future borrowing capacity

*One of the biggest benefits to using an RDA to issue bonds is that it would remove the principal debt from the general levy while still allowing the council to choose a short, medium or long repayment term.

The following chart shows the fiscal implications of the types of debt the city can issue.

GENERAL OBLIGATION NOTES - 10 YEARS			GENERAL OBLIGATION BONDS - 20 YEARS	
Principal amount	$4,500,000		Principal amount	$4,500,000
Interest rate	3.50%		Interest rate	3.50%
Number of years	10		Number of years	20
Annual payment	$541,086		Annual payment	$316,625
Interest expense	$910,860		Interest expense	$1,832,500
DEBT LEVY EFFECT:			**DEBT LEVY EFFECT:**	
Increase of mill rate based on 2019 assessed values	1.0874		Increase of mill rate based on 2019 values	0.5437
Increase in tax per $100,000 of valuation	$108.74		Increase in tax per $100,000 of valuation	$54.37
RDA - USDA-RD BONDS - 40 YEARS CITY LEASES BUILDING			**RDA - USDA-RD BONDS - 30 YEARS CITY LEASES BUILDING**	
TRADITIONAL AMORTIZATION			***THIS WOULD NEED USDA & BOND COUNSEL APPROVAL***	
Principal amount	$4,500,000		Principal amount	$4,500,000
Interest rate	4.375%		Interest rate	4.375%
Number of years	40		Number of years	30
Annual payment	$241,000		Annual payment	$273,000
Interest expense	$5,111,000		Interest expense	$3,662,000
DEBT LEVY EFFECT:			**DEBT LEVY EFFECT:**	
Increase of mill rate based on 2019 values	0.3625		Increase of mill rate based on 2019 values	0.4350
Increase in tax per $100,000 of valuation	$36.25		Increase in tax per $100,000 of valuation	$43.50

In conclusion staff recommends using an RDA to fund the Police Station based on the following reasons:

- Provides the most flexibility, for example we can finance the building for 10, 20, or 40 years or anything in between.
- Debt is held by the RDA, hence limiting the impact to the 5% assessed value limit in the General Fund. Since the principal amount of the loan is not included in the general levy there would be less likelihood that our credit rating could be affected for future bond issues.
- We can finance for a longer term but always pay it off early.
- An RDA is also a useful tool for blight elimination and other public projects. For example if the RDA declared a certain street blighted the project area would automatically qualify for CDBG funds without having to perform an income survey.

EXAMPLES OF FINANCING ESTIMATES FOR DISCUSSION PURPOSES ONLY

GENERAL OBLIGATION NOTES - 10 YEARS	
Principal amount	$4,500,000
Interest rate	3.50%
Number of years	10
Annual payment	$541,086
Interest expense	$910,860
DEBT LEVY EFFECT:	
Debt levy increase over self-imposed limit of $1.17M	$450,000
Increase of mill rate based on 2019 assessed values	1.0874
Increase in tax per $100,000 of valuation	$108.74
Not subject to referendum	
May have a balloon payment year 10 and refinance for additional 10 years	
Refunding or call option typically around year 8	

GENERAL OBLIGATION BONDS - 20 YEARS	
Principal amount	$4,500,000
Interest rate	3.50%
Number of years	20
Annual payment	$316,625
Interest expense	$1,832,500
DEBT LEVY EFFECT:	
Debt levy increase over self-imposed limit of $1.17M	$225,000
Increase of mill rate based on 2019 values	0.5437
Increase in tax per $100,000 of valuation	$54.37
Subject to referendum by petition	
20 years is the maximum including refunding	
Refunding or call option typically around year 10	

RDA - USDA-RD BONDS - 40 YEARS CITY LEASES BUILDING	
TRADITIONAL AMORTIZATION	
Principal amount	$4,500,000
Interest rate	4.375%
Number of years	40
Annual payment	$241,000
Interest expense	$5,111,000
DEBT LEVY EFFECT:	
Debt levy increase over self-imposed limit of $1.17M	$150,000
	0.3625
Increase in tax per $100,000 of valuation	$36.25
Not subject to referendum	
Prepayment and refunding is an option	
Not included in 5% of equalized value debt limit	

RDA - USDA-RD BONDS - 30 YEARS CITY LEASES BUILDING	
THIS WOULD NEED USDA & BOND COUNSEL APPROVAL	
Principal amount	$4,500,000
Interest rate	4.375%
Number of years	30
Annual payment	$273,000
Interest expense	$3,662,000
DEBT LEVY EFFECT:	
Debt levy increase over self-imposed limit of $1.17M	$180,000
Increase of mill rate based on 2019 values	0.4350
Increase in tax per $100,000 of valuation	$43.50
Not subject to referendum	
Prepayment and refunding is an option	
Not included in 5% of equalized value debt limit	

Estimates Only

STATE TRUST FUND LOAN - 20 YEARS	
Principal amount	$4,500,000
Interest rate	4.00%
Number of years	20
Annual payment	$331,118
Interest expense	$2,122,356
<u>DEBT LEVY EFFECT:</u>	
Increase of mill rate based on 2019 values	0.5800
Increase in tax per $100,000 of valuation	$58.00

BANK LOAN - 20 YEARS 10 YEAR BALLOON PMT	
Principal amount	$4,500,000
Interest rate yrs 1 - 10	3.00%
Interest rate yrs 11 - 20	6.00%
Number of years	20
Annual payment yrs 1 - 10	$302,471
Annual payment yrs 11 - 20	$350,558
Interest expense	$2,030,285
<u>DEBT LEVY EFFECT - Yrs 1 - 10:</u>	
Increase of mill rate based on 2019 values	0.5099
Increase in tax per $100,000 of valuation	$50.99

Ref: 2019-128

COMMITTEE AGENDA: 5.E.
(7/30/2019)

SUBJECT: **Redevelopment Authority (RDA) Questions and Discussion** ***(Councilors Ullman and Haas)***

RECOMMENDATION: Possible Committee Formation

DEPARTMENT OF ORIGIN: Councilors Ullman and Haas

CLEARANCES: Council President

EXHIBITS:

FINANCIAL IMPACT:

SUMMARY STATEMENT:

Councilor Hass has requested that we discuss the formation of an RDA as a separate matter from the police station financing. The City Administrator believes that the RDA is a powerful economic development tool that is in use by many communities around the state and nation.

An RDA would be eligible to apply for a variety of funding streams such as:
-Idle Sites Grants
-Empowerment Zones Grants
-HOME Grants (HUD)
-USDA Loan Opportunities
-CDBG: All Programs

This agenda item presents an opportunity to discuss the need for an RDA in Ashland as an economic development tool, and to bring forward questions or requests for information related to the formation and functioning of an RDA. One possible action is to gather questions and input from the council, and to form a subcommittee to put together a proposal, which addresses questions and creates the necessary structure and procedures to ensure that an RDA in Ashland functions in the ways intended by the council. This committee would be tasked with carefully reviewing the by laws and the resolution to form the RDA, and to work with the Mayor to create a transparent process for selecting the members of the RDA. As per ordinance 51.27 a subcommittee of the COW is appointed by the council president and confirmed by the council.