

CITY OF BURLINGTON FINANCIAL PLANNING

REPORT OF PLANNING MEETING

January 28-29, 2006

Facilitated by Esther Letven

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Burlington City Financial Planning

Planning Meeting: January 28-29, 2006

INTRODUCTORY COMMENTS

On January 28-29, 2006, city officials from Burlington met with private sector representatives to discuss strategic financial directions for the City. The work was organized into three sections. The first discussion used a systems planning framework to review the City's past financial practices, acknowledge the present situation, envision a preferred future, and assess the likelihood of achieving that future. With the strengths and barriers of the situation identified, the group established realistic goals for the next three to five years. Part two of the planning meeting reviewed a set of recommendations developed by city officials to decrease costs and generate income. Additional suggestions were brainstormed and evaluated by the group. The City plans to use this feedback to determine how to move forward. Finally, the third section of the meeting was devoted to discussing strategies to gain public support for the final decisions as well as strategies to influence those in position (i.e., legislators) to affect the city's financial future. These notes reflect the discussion and conclusions arrived at by the city staff, councilmen, and private citizens present.

PART ONE: PLANNING FOR THE FUTURE

LEARNING FROM THE PAST

The management of Burlington's city government can be characterized as growing in professionalism and leadership. The city learned from past mistakes and faced tough issues in a business-like fashion. As the professional staff gained strength and became more organized, there was less involvement by the general public. In truth, a good portion of the population has no knowledge of how the city was managed 10 years ago since the demographics have changed dramatically. Effective partnerships have emerged in many sectors, and both sides continue to talk; however, the "wall" remains between the city and town.

ACKNOWLEDGING THE PRESENT

The city of Burlington is well-managed, engaged in partnerships, and faced with tough fiscal realities. Budgets are tight and the City is saddled with challenges outside its control such as labor/health care costs, cuts in revenue sharing, and state mandates. The budget process is clear and the financial resources are being well managed by professionals who are trying hard to maintain fund balances while assuring the quality of service expected by residents.

VIEWING THE PROBABLE FUTURE

If Burlington is unresponsive to existing challenges, the city will be in a financially difficult situation. The future for cities is tenuous; many may face bankruptcy. While Burlington will not be among the first to hit a crisis, it won't be far behind.

RECOGNIZING THE IMPACT OF EXTERNAL CONDITIONS

The financial future of Burlington will be affected by the circumstances surrounding it. Several external realities are worth noting:

Climate of scarcity: Factors outside the city's control are stressing the city's financial resources so that doing more with less is standard operating procedure. The nature of the general economy is causing trickle-down revenue losses (from the state to the counties to the cities). Less revenue is exacerbated by rising costs in health care, labor negotiations, and infrastructure expansion.

Citizen expectations: City residents expect quality services without raising taxes. Citizens are feeling pressured by many taxes and fees, yet they have little knowledge of city budgets or costs.

Suburbanization of growth: Environmental corridors impact where growth can occur. Not much raw land is left. Competition from other communities is challenging new business attraction.

Impact of by-pass: The City could lose growth as a result of the by-pass or by increasing accessibility to the City; or it could open up land between the city and the by-pass for further development. In the future the city will be expected to take over maintenance of some of the present state highways that lie within the by-pass and within the City's corporate limits (maintenance jurisdiction).

ENVISIONING A PREFERRED FUTURE

Out-of-the-box thinking is needed to move the city from its current fiscal reality to a preferred future that will:

1. Control costs by bringing labor expenses in line with affordability.
2. Increase revenue by diversifying revenue streams beyond tax dollars.
3. Maintain efficient and effective city management by doing more with the same number of people who are well trained in technology and continuously learning new skills. Develop lean staffing through attrition, the use of volunteers, and the cross-training of personnel.
4. Maximize creative collaborations to increase efficiency and reduce costs.

FORCES AFFECTING THE ACHIEVEMENT OF THE VISION

The City will be helped in achieving its vision if it maximizes its helping forces and minimizes its hindering forces.

Helping Forces: Building on the culture of collaboration in Burlington will help move the City forward into more public/public partnerships as well as creative public/private collaborations. A history of successful change gives the City confidence in its ability to

adapt to the changing environments around it. The state of the economy will eventually force the issue to be taken seriously by state officials. Having “friends” in Madison will be valuable when trying to make the City’s case. Being in an “extreme growth corridor” helps diversify the economic base. Strong community support and a quality education system will continue to attract newcomers to the area who have perspective from other communities in which they lived. Workplace generational differences increase the potential for new ways of thinking and doing.

Hindering Forces: Pushing against the City’s moving forward is the human tendency to seek stability. Group-think (e.g. “can’t do anything about that”) can be crippling as can turf protection by the “old power guard.” As is often the case, an aging population doesn’t necessarily want to pay for the younger generation’s quality of life expectations. People moving in who have experienced other communities can put unrealistic expectations on a community. The historic barrier between the city and town of Burlington continues to be a frustration. TABOR and its impact on the City’s TIF plan could hurt the City financially.

BRIDGING THE GAP: GOALS FOR THE NEXT THREE YEARS

To position Burlington for a healthy future, the following goals were adopted to move the City to a place of strength:

1. Identify peer group communities and conduct a peer analysis for cost and revenue practices and experiences. A task group is working on employee medical insurance costs, union contracts, sponsorship opportunities of public facilities, and employee performance evaluations.
2. Determine the level of services people are willing to pay for.
3. Identify potential non-traditional partners for engaging in cost saving strategies.
4. Develop creative strategies for dealing with labor costs:
 - Explore cost containment through a moratorium on growth.
 - Treat pay increases as packages; don’t separate salary and fringe benefits.
 - Seek private sector help to review health insurance options.
 - Develop “colleague” group of others who work with unions to explore ideas for better negotiating.
5. Develop creative strategies for increasing revenues.
6. Work to break down barriers between the city and town.
7. Improve communication with community residents/taxpayers.

PART TWO: 2006 FINANCIAL RECOMMENDATIONS

Working with the non-negotiable parameter of no property tax increases beyond the state cap, the group discussed strategies for increasing revenue while holding costs.

The strategies suggested by the City were discussed and the following recommendations were made:

STRATEGY	RECOMMENDATION	STRATEGY	RECOMMENDATION
Water rate increase & direct charge for fire protection	YES	Waste oil furnaces	YES
Garbage pick-up shifted from tax to user fee.	MIXED YES (14 yes; 8 no)	Sewer fee in lieu of taxes	YES (2 no's)
Using non-represented salary increases as model for unions.	NO	Police vehicle purchase strategy	YES
Electrical costs in parks	NO		

Additional revenue generating strategies were suggested, including:

STRATEGY	RECOMMENDATION	STRATEGY	RECOMMENDAT
Fee for fire service	Acceptable only if home owners insurance covers it	Fee for brush pick-up	YES
Private pay for home inspector services	Charge for developers, but not for home owners	Charge for parking	NO
Lease/rent time on public access channel	YES	Increase parking ticket fees	YES
Sponsorships at recreational facilities	NO	Sell unused water department properties	YES
Sell mulch	NO	Synergies through partnerships	YES, explore more with school district and other public/public and public/private

Strategies for reducing costs focused primarily on managing labor costs.

1. Health Insurance: The City is self-insured; the plan is competitive with other municipalities; three tiers of pay and service are in practice. The city recognizes the high cost of the plan and is trying to address this issue.

RECOMMENDATION: The City was encouraged to review the make-up of the committee that negotiates the health plan. The private sector will work with the city to review options available to them.

2. Union Negotiations: The City feels there is no incentive for the Union to change its approach. A professional negotiator represents the city. If an impasse occurs, the state mediation-arbitration law goes into effect. Retirement benefits are a large issue.

RECOMMENDATION: The City was encouraged to negotiate all wages and benefits as one package, rather than treating them separately. The City would like to discuss these Union negotiation concerns with others who also work within a Union environment.

Should the worst-case scenario happen, the City was encouraged to develop strategies for prioritizing cuts and exhaust all those strategies. If not enough, the next step would be to delay street programs.

PART THREE: DEVELOPING PUBLIC SUPPORT

Gaining public support will require a careful communication plan to educate residents about the financial realities and choices available. Listed below are suggestions to consider when developing this "marketing" campaign:

1. Go with one story, not a new story each year. Make the message clear and simple and describe what will happen each year. Present facts and show how Burlington compares to other municipalities.
2. Maintain good news coverage.
3. Hold town hall meetings.
4. Develop a marketing campaign that addresses the current situation, impact of various options, and the reasons for the decisions made.
5. Put news releases as stuffers in paychecks and in company newsletters.
6. Do presentations at local service clubs.
7. Tailor the message and delivery to the particular audience.
8. Use the website to deliver message.
9. Develop brochures and make them available around the City, particularly in the Wellness Center.

In addition to the general public, state legislators must understand the impact their decisions are having on their Burlington constituents. Ideas for how to do that include:

1. Develop a coherent message.
2. Make visits.
3. Create a “TIF” day across the state through the municipality league.
4. Use Racine County Day to deliver a coordinated message to the legislators about the impact of legislative changes (TIF, TABOR).

CONCLUSION: NEXT STEPS

The City received thoughtful feedback from those present at the planning session. The City Council must now take the suggestions and determine a budget package. These actions steps will move the City from planning to implementation.

1. The City Council will review all recommendations and develop a financial package and a plan for communicating with the public.
2. Communicate the seriousness of the financial situation to Unions early and ask them for ideas on how to contain costs.
3. The Mayor will form citizen-City committees to continue the dialogue and explore specific targeted opportunities described elsewhere in this report.
4. Develop a document describing the situation and the changes that will be occurring.
5. Develop timelines for implementation.

During the course of the discussion, several important issues came up that were “parked” for further discussion at another time. They included:

1. Availability of land for growth.
2. “Wall” between city and town.
3. Development standards.
4. How much growth should continue?

LEARNING FROM PAST

- Learned from mistakes
- Willing to face tough issues
- Cost: TIF
- Organized structure
- More professional city govt
- Better leadership
- Partnerships added great value; working relationships
- City and township effect each other
- More business-like
- Planning for future
- Core group manages process; community uninformed
- 30% of population don't have any knowledge of what situation was like 10 years ago
- Professional staff growing and making decisions: less involvement by general public
- Fundamental change in attitude when no longer on top

CURRENT REALITY

- Budget process clear
- Tight budgets
- Professionally managed
- Saddled with challenges outside city's control such as labor and health care costs, state mandates,
- govt is moving target, govt moves slowly, TABOR
- Trying to maintain fund balances, but chipping away
- Difficult to maintain level of quality of services
- Revenue sharing cut
- Health care escalation
- Continued partnerships

ENVIRONMENTAL FACTORS

- Pressures from many taxes
- Mediation-arbitration law
- Health care costs
- Infrastructure costs and expansion
- State and legislature; State squeezes down to county; county shifting costs to city
- Citizen expectations
- Labor costs/staffing
- Citizen knowledge of budget and costs
- General economy
- Continuing to do more with less
- Emerging leadership/changing demographics
- Suburbanization of growth
- Environmental corridors impact where growth can occur/not much raw land left
- "Wall" between city and town
- Competition from other communities
- Challenges on the revenue side
- Challenges to attract new businesses and keep/expand existing
- Maintenance of streets developed by someone else
- By-pass - in the future - will impact city taking over maintenance (maintenance jurisdiction)
- City could lose growth as a result of by-pass growth
- Accessibility could increase by-pass; by-pass will open up land between city and by-pass

PREFERRED FUTURE

- Labor expenses in line with reality (comparable to private sector)
- Organization-wide skill development (technology, etc.); interdepartmental cross-training
- Find other revenue streams beyond tax dollars
- Doing more with same number of people (better skilled; more technology)
- Attrition plan
- Increased efficiency through collaboration (e.g. blending between schools and city - technology, energy conservation, libraries, staff development)
- Expanded use of volunteers
- More outsourcing - as much as possible
- Out-of-box thinking about how to move from current reality to preferred future

HELPING AND HINDERING FORCES

Helping

- Culture of collaboration (public/public and public/private)
- “Friends” in Madison
- State of economy will force issue
- Have already made successful changes
- Diversified economic base
- Quality education and educational facilities
- People moving in who have experienced other communities
- Generational differences in workforce
- Community support
- Geographical location offers opportunities (within “extreme growth corridor”)

Hindering

- History of relationship between city and town
- The fear of “Change”
- Group-think (e.g. “can’t do anything about that”)
- Turf protection (egos/power)
- Public communication
- People moving in who have experienced other communities
- Aging population who doesn’t want to pay for younger generation’s expectations of life
- “Old power guard” resistance

BRIDGING THE GAP

1. Identify peer group communities and conduct a peer analysis for cost and revenue practices and experiences
2. Determine level of services people are willing to pay for
3. Identify potential non-traditional partners for engaging in cost saving strategies
4. Develop creative strategies for dealing with labor costs
 - a. Explore cost containment through a moratorium on growth
 - b. Treat pay increases as packages; don’t separate salary and fringe
 - c. Private sector help reviewing health insurance
 - d. Develop “colleague” group of others who work with unions to explore ideas for better negotiating
5. Develop creative strategies for increasing revenues
6. Break down barriers between city and towns
7. Improve communication with community residents/taxpayers

PLANNING NON-NEGOTIABLES

No property tax increases beyond state cap parameters

STRATEGIES FOR INCREASING REVENUE

1. **Water Rate and Fire Protection:** shift cost from general fund (which is capped) to enterprise fund. This would increase revenue for the city by increasing fees for residents.

RECOMMENDATION: YES

Positives:

- Helps increase general fund
- Non-profit groups start to pay fair share
- Users of services are paying fair share
- On low end of water rates in Wisconsin
- Could be sold as "fair"

Negatives:

- User fee in addition to tax
- Not deductible since not a tax
- Greater impact on industry, schools, churches (since based on meter size)
- Unknown if it would cause a loss of industry

2. **Garbage Pick-up:** Transfer from taxes to fees

RECOMMENDATION: MIXED YES (14 for; 8 against)

Positives:

- Equalized for private industry and property owners

Negatives:

- Residents are paying more

3. **Employee Salary Increases:** non-represented employees receive the same pay package as the unions do through their negotiation. Question: Should the city pay the non-represented workers less in order to set an example for the upcoming Union negotiations.

RECOMMENDATION: NO; in 2006 treat non-represented the same as they've been treated in the past. However, starting in 2007 institute a performance review system so that non-represented employees receive wage increases based on performance and not across-the-board increases.

Positives:

- Sets an example for Unions in negotiations

Negatives:

- Morale issue for non-represented employees
- Past experience with school districts says it doesn't make a difference

4. **Electrical Costs - Parks:** Since outsiders are using the services of the city in the parks, should they be charged a fee to cover the electrical costs?

RECOMMENDATION: NO; since many costs for parks are already supported by volunteer groups, this would alienate the users.

5. Waste Oil Furnace

RECOMMENDATION: YES

6. Sewer Fee: Payment in lieu of taxes on city's own property

RECOMMENDATION: YES (with two no's)

Positives

- Other municipalities are doing it
- Distributed evenly; brings in new revenue from outside city

Negatives

- No guarantee that this is legal (law is silent)
- Extra fee to wastewater users
- Another hit at same time as other increases

7. Police Vehicle Purchase: Buy gently used cars more frequently rather than running them into the ground and then buying new.

RECOMMENDATION: YES

COST SAVING STRATEGIES

1. Health Insurance: The City is self-insured; the plan is competitive with other municipalities; three tiers of pay and service are in practice. The city recognizes the high cost of the plan, and is trying to address this issue.

RECOMMENDATION: The City was encouraged to review the make-up of the committee that negotiates the health plan. The private sector will work with the city to review options available to them.

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RECOMMENDATION: The City was encouraged to negotiate all wages and benefits as one package, rather than treating them separately. The City would like to discuss these Union negotiation concerns with others who also work within a Union environment.

REVENUE GENERATING IDEAS

1. Fee for fire service:
Acceptable only if homeowners insurance covers it
2. Private pay for home inspector services
Charge for developers but not for homeowners
3. Lease or rent time on public access TV channel - Yes
4. Sell sponsorships at recreational facilities
Already being done
5. Sell mulch - No, not of good quality. Too much expense to clean it up.

6. Fee for brush pick-up - Yes
7. Charge for parking - No
8. Increase parking ticket fees - Yes
9. Sell unused water department properties - Yes
10. Synergies from partnerships: business partnerships already exist between the City and the school district; others should be explored such as joint IT training, energy conservation, joint library services, snow removal, research projects, consolidation of purchasing operations. The City was encouraged to explore synergies resulting from public/public and public/private partnerships.

WORST CASE SCENARIOS

1. Develop strategies for prioritizing cuts
2. Exhaust all strategies
3. If not enough, worst case would be to delay street programs

MESSAGES FOR PUBLIC SUPPORT

1. Go with one story, not a new story each year. Make the message clear and simple and describe what will happen each year. Present facts and show how Burlington compares to other municipalities.
2. Maintain good news coverage.
3. Hold town hall meetings
4. Develop a marketing campaign that addresses the current situation, impact of various options, and the reasons for the decisions made.
5. Put news releases as stuffers in paychecks and in company newsletters.
6. Do presentations at local service clubs.
7. Tailor the message and delivery to the particular audience.
8. Use the website to deliver message.
9. Develop brochures & make them available around the City, particularly in the Wellness Center

MESSAGES TO LEGISLATORS

1. Develop a coherent message.
2. Make visits.
3. Create a "TIF" day across the state through the municipality league
4. Use Racine County Day to deliver a coordinated message to the legislators about the impact of legislative changes (TIF, TABOR)

NEXT STEPS

1. Get the seriousness of the financial situation out to Unions early; seek their input into how to contain costs.
2. Form citizen-City committees for advice.
3. Develop a document describing the situation and the changes that will be occurring.
4. City Council develops a message and a plan for communicating with the public.
5. Develop timelines.

PARKING LOT

1. Availability of land for growth
2. "Wall" between city and town
3. Development standards
4. How much growth should continue?

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STATE OF WISCONSIN } ss.
COUNTY OF RACINE

Alderman Miller requested a second reading of Resolution No. 7, A resolution adopting a Strategic Financial Plan. Alderman Miller moved and Alderman Jacobsen seconded to adopt Resolution No. 7. All were in favor and the motion carried.

Cheryl Szalewski, being duly sworn, on oath says that she is an authorized representative of the Standard Press, a weekly newspaper, printed and published in the city of Burlington, in said county and state, and that the notice, of which the annexed is a true copy, was published in said newspaper once each week for 1 successive weeks, beginning on the 6 day of July A.D. 2006

Cheryl Szalewski

Subscribed and sworn to before me this 11th day of July A.D. 2006

Lisa Stuckey Notary Public

My commission expires on 22507

State of Wisconsin
Lisa Stuckey