

Mayor's Column for February 18, 2009 Review

My family will chuckle when I tell you that I am a list person. This past week I have been keeping a growing list of items to be included in this column. I have a lot of information to share with you.

I attended a two-day conference on public finance sponsored by Ehlers, our long-time financial advisors. The seminar focus was on management of municipal finances during this economic downturn. I lost track of the number of times I heard the word “unprecedented” and the phrase “uncharted waters”. My mind was overloaded by the end of two days—here is the most important information I need to share with you.

Keith Munson, President of National Appraisal Corporation, stated that there is no housing bubble in our state. **In Wisconsin, 2008 assessments of single family homes under \$300,000 rose .5% to 1%.** (It was explained that foreclosed homes are not included in assessment valuations because they are not sales transactions.) Evansville's homes are predominantly in the under-\$300,000 category.

Munson indicated that while the housing market in our state is still skittish, properties are beginning to sell again. Newspaper reports with gloomy state figures may be including “McMansion” properties and/or foreclosure data. The condominium market is overbuilt and suffering. State-wide, multi-family housing values are increasing 3-5% annually. Apartment rents are increasing modestly. He indicated a “Back to the Future” aspect to housing trends in coming years, with young couples and families living longer in apartments while building savings for a home purchase.

An excellent program on municipal financial strength was presented by John Kenward, Director of Standard & Poor's Ratings Group in Chicago. He pointed out that 2010 will be particularly challenging for local governments because the property tax, our main source of revenue, is a lagging economic indicator. Proactive budget management is critical to maintaining “creditworthiness”. He stressed that balancing of the local community budget is going to mostly come from expenditure reductions.

From conversations with seminar attendees, as well as questions asked of presenters, it is obvious that Wisconsin municipalities are extremely concerned that part of the state budget deficit will be shifted to local governments, on top of slowing increases in local tax base. In particular, substantial shared revenue cuts are feared. Between when I wrote this column and you read this article, Governor Doyle will have announced his budget. We will know how his plan for cutting state expenditures will impact local communities.

If expired levy limits are reinstated at the same time as deep shared revenue cuts are made, local governments will be put in a vise. This week Tom Cothard, Dan Wietecha and I will participate in the League of Wisconsin Municipalities Lobbying Corps meeting and appointments with our local state legislators. We will be discussing the serious state financial situation and the deleterious impact of pushing the state deficit onto local government.

In Evansville, the 2009 budget was prepared using zero-based budgeting. We held the line on overall general fund expenses and then added the cost of Lake Leota dredging following the November referendum. Preliminary 2008 results show that our general fund revenues were greater than our expenditures, that is, we came in under budget. Our 2007 audit showed that our general fund expenses were less than our revenue. We are “living within our budget”.

Should a substantial cut in shared revenue occur with the state’s July 1 fiscal year, we will need to reduce expenditures in our already passed budget to stay in balance. Our annual shared revenue is nearly \$500,000. A 20% cut in shared revenues would mean a \$100,000 hole in our budget. At last week’s City Department Head meeting we had preliminary discussion about possible necessary budget adjustments to stay in balance. While our City has a healthy fund balance that can alleviate some of the pain, this economic environment is expected to last for some time. It is imperative that we maintain a healthy reserve to keep Evansville financially strong.

Kenward indicated that the latest forecast by Global Insight is that economic improvements will begin in July 2010. He further stated that the Midwest economy lags, and that the City of Chicago is budgeting for a turnaround in 2012. Frugality will be necessary beyond the short-term.

Jon North of Ehlers stated that Wisconsin local governments are “lucky” because property taxes are lagging indicators. His point--we have a year to plan for the coming economic challenge. North outlined three relevant areas of budget planning: reassessing fee structures; prioritizing services; and allocating resources. He stressed having contingency plans by identifying different short-term pathways to reach long-term financial goals. This planning provides proactive flexibility rather than crisis management.

Attorney Alan Marcuvitz of Michael, Best and Friedrich discussed community development challenges. He counsels to continue good community projects and advises “do not hunker down”. He suggests that municipalities further respond to the current economy by redefining community vision, focusing on leadership development and lobbying for positive legislative changes and new funding sources.

North pointed out that interest rates on municipal bonds are still near historic lows. Communities with strong creditworthiness are getting good rates. Additionally, the competitive bidding environment means lower project costs.

Evansville benefited from the competitive bidding environment in the Lake Leota project. We will shortly be going to bid for the wastewater treatment plant upgrade. The financial information provided at the Ehlers conference confirms that we will likely benefit economically from the timing of this project.

Greg Johnson of Ehlers chatted with me about the status of the Lake Leota project, the upcoming wastewater project and the increased budget monitoring and planning that will be necessary for us under present economic circumstances. He believes that we have a strong staff in place to administer our finances. I told him that we have worked hard to develop a good team to provide services to our residents.

Preparation of the 2010 City budget will begin in just a few months and will indeed be challenging. I am confident in our Finance Committee, Common Council and City staff. We will make the decisions necessary to keep our community financially healthy.

Community Announcements/Reminders

I am pleased to announce completion of a multi-year project at City Hall. Evansville's Municipal Code is now up-to-date and has an operational search engine. It can be found on the City website. Bringing Code maintenance in-house saves us thousands of dollars and provides better information to our residents. Past outsourcing of Code maintenance meant a lag-time in updates of at least a year. Keri Radke and Dan Wietecha are to be commended for the substantial time and effort they provided to accomplish this service improvement and cost reduction.

I have recently signed the U.S. Conference of Mayors Climate Protection Agreement. The Common Council unanimously endorsed the Agreement at last week's Council meeting. Over 900 mayors throughout the U.S. have signed the Agreement, including 17 from Wisconsin. Some of the endorsed actions in the Agreement are promotion of tree planting to increase absorption of carbon dioxide, making energy efficiency a priority in City buildings and increasing fuel efficiency in fleet vehicles. The first meeting of the Evansville Energy Independence Team was held on Monday morning. A first step in developing a local Energy Independence Plan is to undertake an audit of municipal buildings and vehicles. In coming months the Team will identify ways to save energy and increase the use of renewable energy.

I counted 39 individuals in attendance at last week's Inventors and Entrepreneurs Club. Local interest in the Club is strong and growing. The next meeting of the Club will be on Wednesday, March 11, at the Eager Economy building on East Main Street at 6:30 p.m. A representative of SCORE, an organization of retired executives dedicated to providing assistance to small businesses, will be the speaker.

To David B. of Mrs. Wade's class, Flat Stanley has arrived at my house. Koenig, one of my dogs, provided a special welcome for him. I will be taking Flat Stanley to Washington D.C. with me.

The ECP Chili Cook-off and Dinner will be held on Saturday, March 7th, from 5-8 p.m. It will be located at the Grove Campus, 320 Fair Street, and will have additional kids' activities and games.

Community Thanks

Brownie Troop 385 has written to me about ideas for our City parks. Our citizens thank the Brownies for discussing park improvements.

Lake Leota dredging is complete and the lake is partially filled. Minor spillway repairs will be made this spring prior to the complete refill of our lake. Evansville thanks the Every, Courtier and Cadman families for allowing their properties to be used as part of the project. By not having to haul the lake sediment by dump truck to a more distant location, we were able to save thousands upon thousands of dollars. I have previously thanked the SOLE Committee for their perseverance. This project was decades in the happening—it is great to celebrate its completion!

I would like to thank Ron and Pat Carlsen for their commitment to promoting the life-saving activities of the National Marrow Registry and the family-supporting Restoring Hope Transplant House. Ron and Pat have organized a bone marrow/stem cell transplant drive on Monday, March 9, from 11:00 a.m. to 6:00 p.m. at the Masonic Temple. Donation cans for the Restoring Hope Transplant House are located in several businesses. Please support them in their celebration of thankfulness and gratitude.