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# Final 2010 Lake Mills City Manager Budget Presentation

December 1, 2009



## Mission of the Budget Process

- The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation on the process.



# Budget Constraints:

- Levy Limit

- The Governor and State Legislature adopted a biennial State budget in 2009 for 2010/2011 that imposed tax levy limits on cities, villages and counties.
- The levy limitation for 2010 is 3.00% from the previous year plus unused levy from 2007 for a total potential increase of 8.37%, or the percentage increase in equalized value of the community (1.76%) due to net new construction, whichever is greater.



## Budget Constraints:

- Levy Limit (continued)
  - Lake Mills’ net new construction for the previous year was one of the highest in Jefferson County.
  - Net new construction increased by 1.76%, or \$8,578,600.



## Budget Constraints:

- Levy Limit (continued)
  - Theoretically, under the levy limit law, Lake Mills could increase its City tax levy by the 8.37% levy limit.
  - The State Legislature provided legislation that has allowed the City to carry forward any unused levy capacity, the City has substantial amounts of unused levy limit from the two previous years and this year.



## Budget Constraints:

- Levy Limit (continued)
  - Based on the net new construction numbers, Lake Mills' levy limits for 2010 have been set at the statutory 3% maximum increase plus unused levy from 2007.
  - As was the case in previous years, general obligation debt service levies and TIDs remain exempt from the levy limits.
  - The Total 2010 Tax Levy has an increase of 0.77%.



# Budget Constraints:

- Expenditure Restraint

- For the past several years, the Governor and State Legislature have financially rewarded communities who voluntarily restrained the level of expenditures in their Operations and Maintenance (General Fund) budget. For 2010 the City was permitted to increase its Operations budget by 3.0% and still qualify for the expenditure restraint payment which, for the 2011 budget.



## Budget Constraints:

- Expenditure Restraint (continued)
  - If the City does not continue participation, it would affect the 2011 budget.
  - The 2010 City Manager's budget is proposing a 4.18 percent decrease in the level of expenditures in the Operations and Maintenance for the General Fund. The primary reason for the decrease is moving sanitation and recycling to the Sanitation Special Revenue Fund.



# Budget Constraints:

- Revenue Gains

- For the Operations and Maintenance, or General Fund, the City will receive more money from taxes in the following categories:
  - General Property Tax
  - State Aid - Roads
- In addition, the City will receive more revenue in 2010 from Fire Insurance, County Aid – Local Roads, Utility Tax and mobile home leases.



# Budget Constraints:

- Revenue Loss (continued)
  - For the Operations and Maintenance, or General Fund, the City will receive less money from the State in the following categories:
    - State Shared Taxes
    - County Aid – Library
    - Fire Protection Fees
    - Interest
    - TID Reimbursements
    - Grants



# Budget Problems:

- **Cost of Sanitation and Recycling**
  - The State implemented some pretty substantial tipping fee increases this year. These are passed on to the consumer through the fees. The issue was the amount of operations expenses added to the General Fund. This was resolved by moving the revenues and expenses to a Special Revenue Fund.
- **Cost of Expenditures for Emergency Services**
  - State imposed requirement to maintain expenditures for emergency services at 2009 levels.



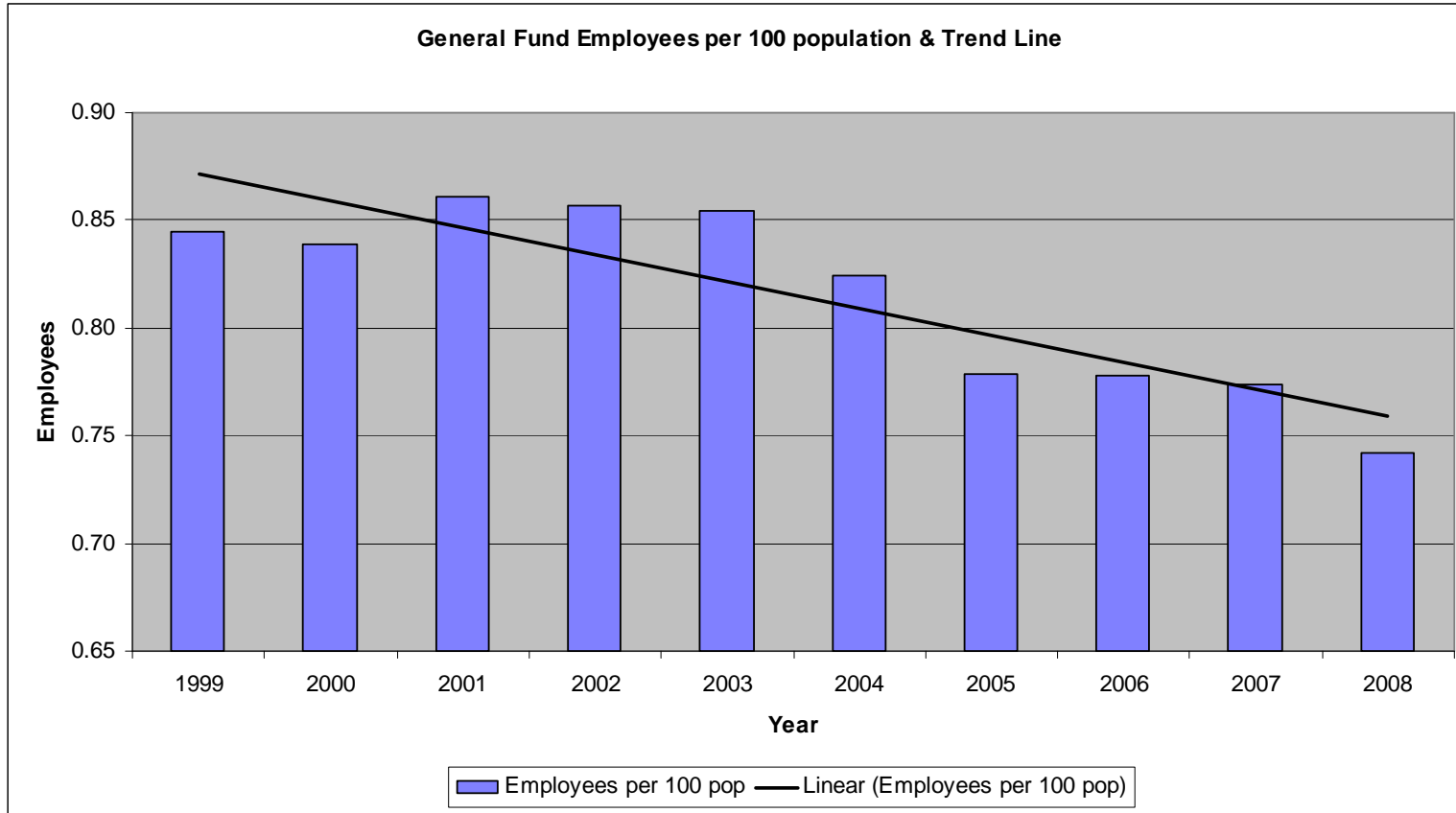
## Budget Problems: (continued)

- Employee Costs:

- Currently the City has 40 full-time General Fund employees, of which 12 are with the Police Department. Total number of employees for the City is down from a high of 45 employees in 1990 while the population and related service needs have increased.
- As the City is a service related industry, the majority of all City expenditures is personnel related. The City budget and operations is labor intensive. Approximately 64% of the City operations budget is related to personnel.

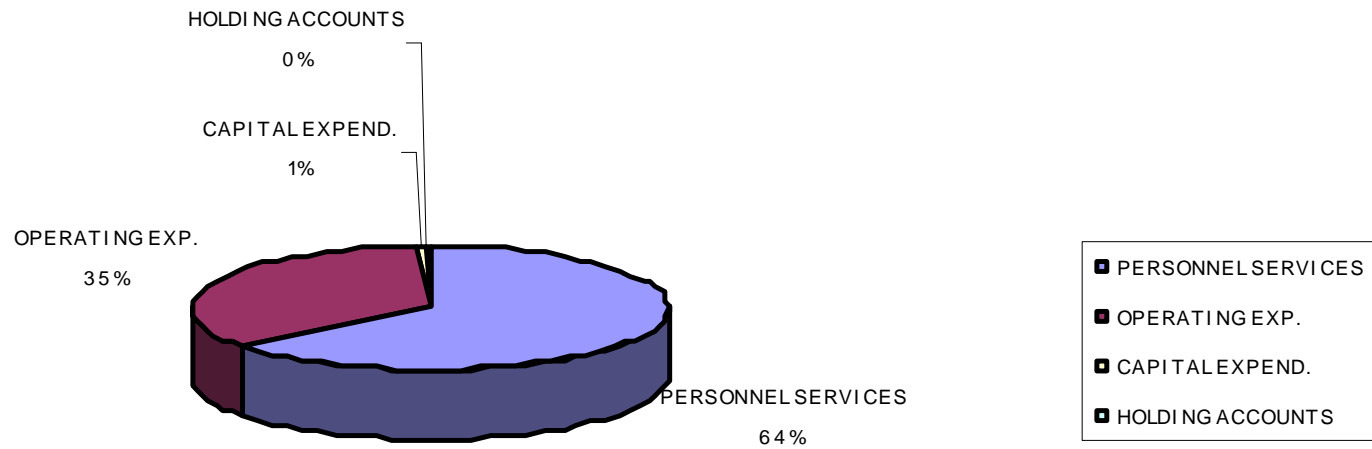


# — Proposed 2010 City Budget —



# Proposed 2010 City Budget

## Proposed General Fund Operation Expenses



## Budget Problems: (continued)

- **WPPA Labor Contract – 2010**
  - The Police Officers Labor contract for 2009/11 was just negotiated and approved. However, for 2011, the City wanted a 0% increase and the Union wanted 3% and both sides agreed to hold this item open in the contract to be negotiated in 2010. This added attorney fees to the 2010 budget.



## Budget Problems: (continued)

- **AFSCME Labor Contract – 2009**
  - The AFSCME Labor contract 2009/11 was just negotiated and approved. However, for 2011, the City wanted a 0% increase and the Union wanted 3% and both sides agreed to hold this item open in the contract to be negotiated in 2010. This added attorney fees to the 2010 budget.



## Budget Problems: (continued)

- Employee Benefits

- Employee benefits include health, life, retirement and social security. Total projected costs for 2010 are \$756,000.
- Employee health insurance increased by 8%. Most of all City employee benefits are obtained through the State of Wisconsin. The City continues to review options to reduce costs for full-time employees health insurance coverage costs.

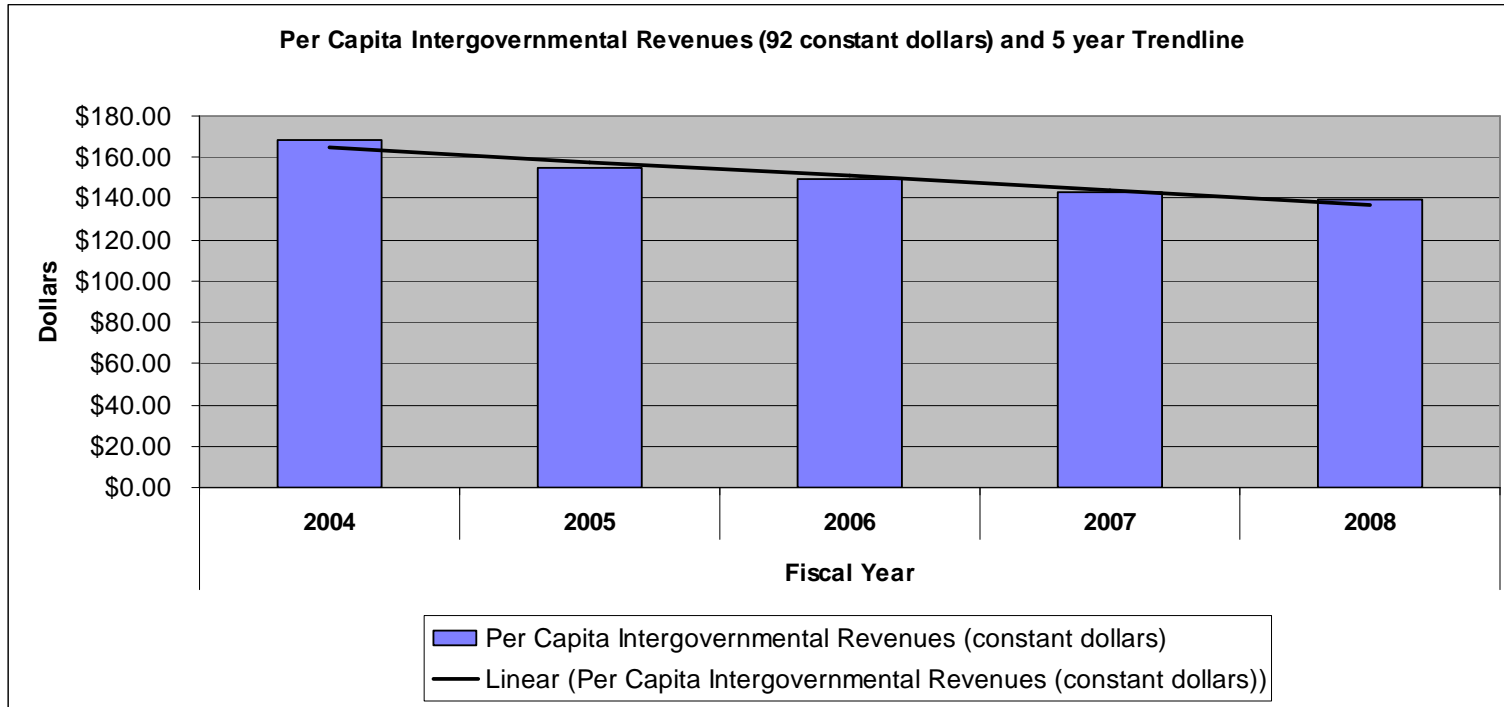


# Budget Problems: (continued)

- State Financial Mandates
  - The State requires, or mandates, a number of services or fees which the City must pay or provide.
  - In most cases, the promised State revenue to offset these mandates have either been under-funded or not funded at all.



# — Proposed 2010 City Budget —



## Budget Problems: (continued)

- State Financial Mandates (continued)
  - Examples of such mandates include recycling, yard waste, computer personal property tax reimbursement, manufacturing property assessment costs, weights and measures testing, Municipal Court fines and stipulations/State's share of revenue collected through Municipal Court, mediation arbitration laws regarding labor contracts, shared revenue, special utility taxation for property owned by private utilities located within the City.



## Budget Components:

- Operation & Maintenance (General Fund)
  - This budget component comprises the day-to-day operations of City government including public safety (police, fire, inspections and health services), Public Works and General Administration, which includes City Hall, Municipal Court, Planning, Engineering, Legal, Property Liability Insurance and Employee Benefits.



# Budget Components:

- **Special Revenue Fund**
  - This budget category requires funding from sources other than City funds to enable residents to receive specific services. This fund includes the Special Assessment, Park Improvement, Revolving Loan, and Sanitation.



# Budget Components:

- Trust Fund

- This budget category is used to account for assets held by the city in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. (Cemetery Perpetual Care, Library Endowment)



# Budget Components:

- Capital Project Funds

- This budget category is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City uses a Capital Fund for the acquisition or construction of major capital facilities related to the Departments and a Capital Projects Fund for TID related acquisition or construction of major capital facilities.



# Budget Components:

- Debt Service Fund
  - This budget component is designed to cover the cost associated with the annual principal and interest payments for City purpose debt, such as streets, equipment, and other municipal infrastructure.



# Budget Components

- **State/Accounting Requirements**
  - These five individual budget components comprise the total City budget. These components are independent in that funds specifically appropriated for each component can not be transferred or used for purposes other than those designated in the respective category. For example, Debt Service funds can not be used for Operation and Maintenance Costs or vice versa.

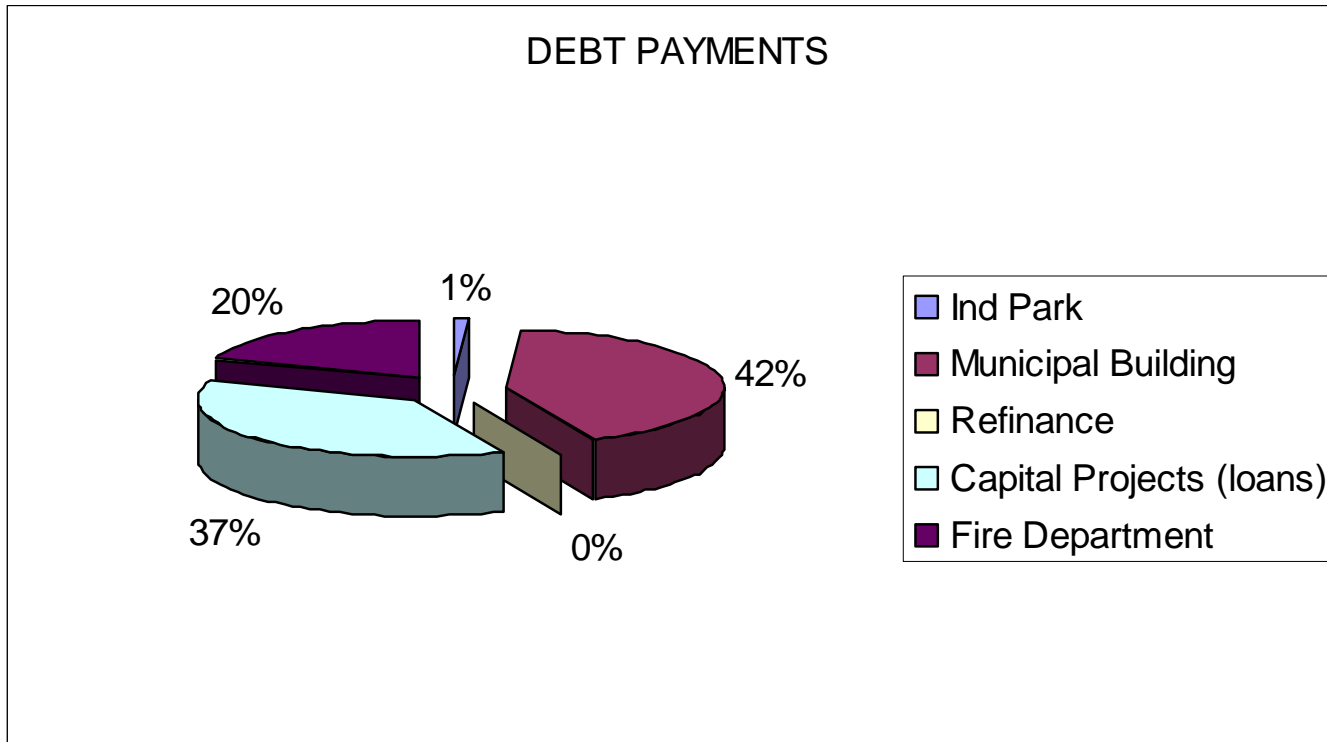


# Debt Service Fund

<u>General Fund Revenues</u>	<u>2009 Budgeted</u>	<u>2010 Budgeted</u>
Reserve Applied	\$ 9.5	\$ 17.5
Misc Revenues	\$ 49.3	\$ -
General Fund Debt Levy	\$ 1,081.3	\$ 1,041.6
<b><u>Total Revenues</u></b>	<b>\$ 1,140.1</b>	<b>\$ 1,059.1</b>

<u>General Fund Expenses</u>	<u>2009 Budgeted</u>	<u>2010 Budgeted</u>
Principal	\$ 820.8	\$ 763.2
Interest	\$ 319.3	\$ 295.9
<b><u>Total Expenses</u></b>	<b>\$ 1,140.1</b>	<b>\$ 1,059.1</b>

# — *Proposed 2010 City Budget* —



# Capital Project Funds

## Revenues and Expenditures

### DRAFT 2010 CAPITAL BUDGET ORDINANCE

<u>Revenues</u>	<u>2009 Budgeted</u>	<u>2010 Budgeted</u>
Taxes: General Property Tax	\$ 35.0	\$ 13.0
County Aid - Roads		\$ 32.0
Developer Fees	\$ 76.0	
Long Term Borrowing	\$ 512.3	\$ 649.6
<b><u>Total Revenues</u></b>	<b>\$ 623.3</b>	<b>\$ 694.6</b>

<u>Expenditures</u>	<u>2009 Budgeted</u>	<u>2010 Budgeted</u>
Clerk-Treasurer	\$ 16.0	\$ 5.0
Fire Department	\$ 30.0	\$ 135.0
Police Department	\$ 45.9	\$ 28.2
Parks & Forestry	\$ 121.5	\$ 80.0
Public Works	\$ 409.9	\$ 446.4
<b><u>Total Expenditures</u></b>	<b>\$ 623.3</b>	<b>\$ 694.6</b>

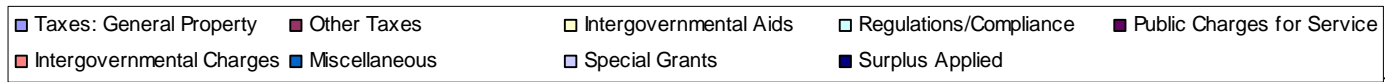
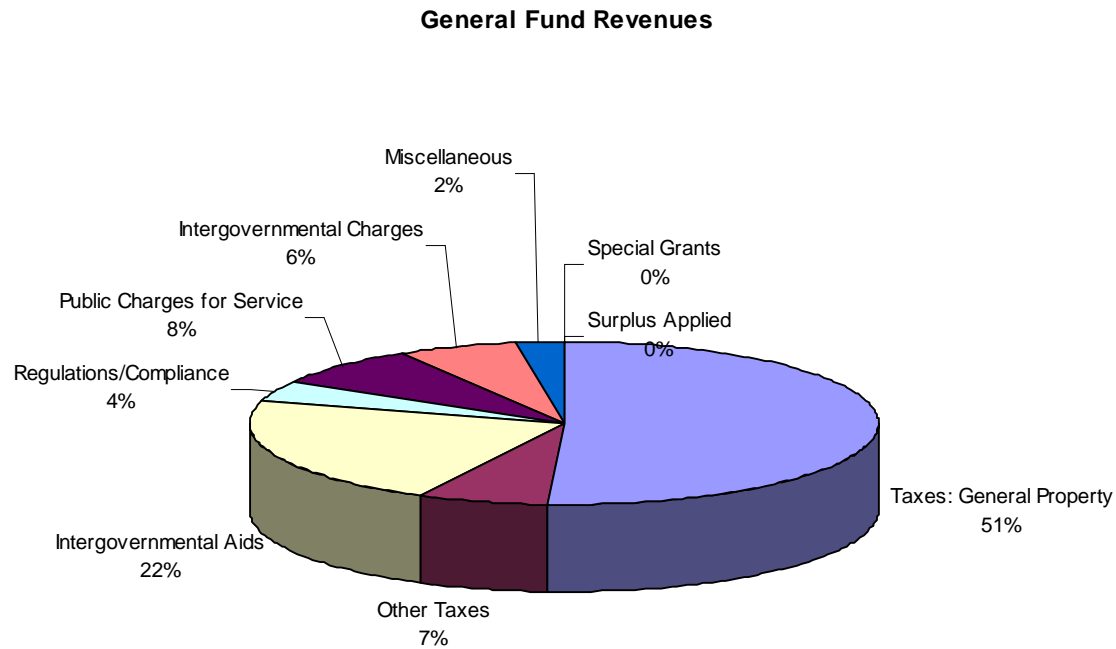
  

<b>GRAND TOTAL LEVY</b>	<b>\$ 35.0</b>	<b>\$ 13.0</b>
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# General Fund – Revenues

<u>Revenues</u>	<u>2009 Budgeted</u>	<u>2010 Budgeted</u>
Taxes: General Property	\$ 2,216.8	\$ 2,304.1
Other Taxes	\$ 273.9	\$ 303.9
Intergovernmental Aids	\$ 1,035.1	\$ 995.0
Regulations/Compliance	\$ 188.1	\$ 192.8
Public Charges for Service	\$ 617.0	\$ 344.6
Intergovernmental Charges	\$ 272.2	\$ 280.2
Miscellaneous	\$ 134.7	\$ 112.5
Special Grants	\$ -	\$ -
Surplus Applied	\$ 0.1	\$ -
<b><u>Total Revenues</u></b>	<b>\$ 4,737.9</b>	<b>\$ 4,533.1</b>

# General Fund Revenues

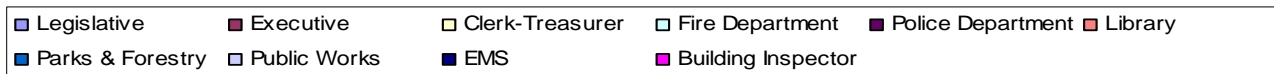
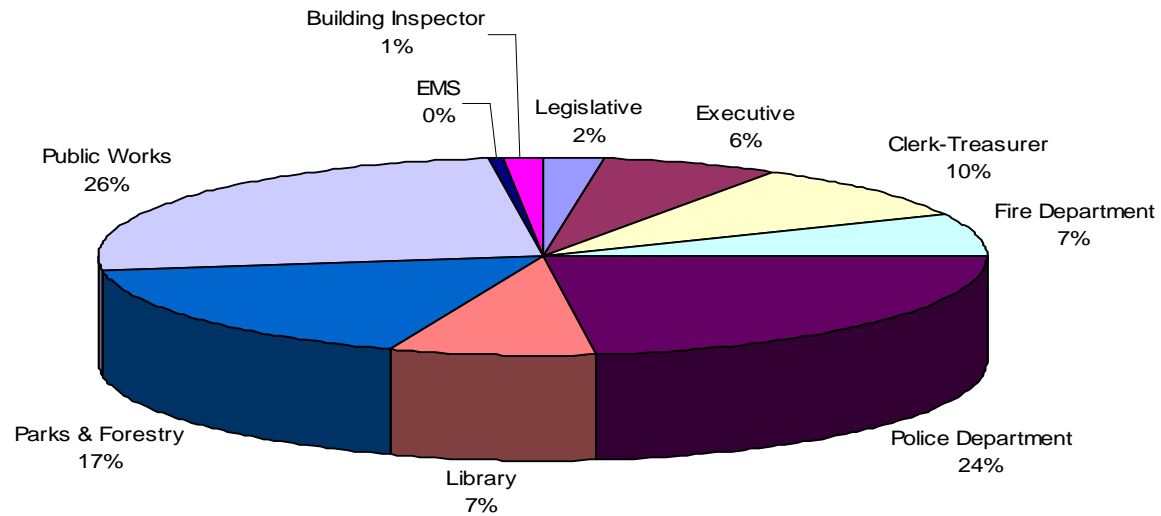


# General Fund - Expenditures

<u>Expenditures</u>	<u>2009 Budgeted</u>	<u>2010 Budgeted</u>
Legislative	\$ 103.4	\$ 104.6
Executive	\$ 299.0	\$ 281.2
Clerk-Treasurer	\$ 416.5	\$ 436.4
Fire Department	\$ 306.3	\$ 314.0
Police Department	\$ 1,047.3	\$ 1,045.4
Library	\$ 320.3	\$ 331.4
Parks & Forestry	\$ 745.1	\$ 791.5
Public Works	\$ 1,414.2	\$ 1,141.0
EMS	\$ 21.8	\$ 21.8
Building Inspector	\$ 64.0	\$ 65.8
<b><u>Total Expenditures</u></b>	<b>\$ 4,737.9</b>	<b>\$ 4,533.1</b>

# General Fund Expenditures

Operating Expenditures 2009



# Fees

- For 2010, unlike other cities and villages, the City of Lake Mills budget proposal does not contain any new fees, including developer or user fees, for any City operation or services, such as street lights, refuse collection, snow plowing, street tree planting, etc.
- The City has no Special Assessment Project for 2010.
- The City will have to increase refuse/recycling fees based on John's Disposal contract requirements and State tipping fee increases.



# Budget Revenue Summary:

		2009	2010
GENERAL FUND	26100	\$ 4,737.9	\$ 4,533.1
CAPITAL PROJECTS FUND	26108	\$ 424.3	\$ 417.8
CAPITAL BUDGET	26100	\$ 623.3	\$ 694.6
SPECIAL REVENUE FUND	26111/113/114/115	\$ 481.9	\$ 724.5
TRUST FUND	26105/106	\$ 398.2	\$ 408.5
GF DEBT SERVICE	26100	\$ 1,140.1	\$ 1,059.1
UTILITIES		\$ 14,327.5	\$ 9,985.6
<b>TOTAL REVENUES</b>		<b>\$ 22,133.2</b>	<b>\$ 17,823.2</b>



*Proposed 2010 City Budget*

# Budget Expense Summary:

		2009	2010
GENERAL FUND	26100	\$ 4,737.9	\$ 4,533.1
CAPITAL PROJECTS FUND	26108	\$ 350.0	\$ 264.7
CAPITAL BUDGET	26100	\$ 623.3	\$ 694.6
SPECIAL REVENUE FUND	26111/113/114/115	\$ 75.0	\$ 360.0
TRUST FUND	26105/106	\$ 4.0	\$ 6.0
GF DEBT SERVICE	26100	\$ 1,140.1	\$ 1,059.1
UTILITIES		\$ 13,878.0	\$ 9,465.0
<b>TOTAL EXPENSES</b>		<b>\$ 20,808.3</b>	<b>\$ 16,382.5</b>



## TIF Impacts:

- Definition. Tax Incremental Financing was enacted by the Legislature in 1978 to provide a development/redevelopment financial tool which cities could use to promote tax base expansion.
- TIF is not a tax freeze nor a tax increase, but a special allocation method for taxes collected on new property value increases within a defined area or district.
- Any new taxes generated from increased value within the defined district are used exclusively to pay the City's debt which is incurred for providing infrastructure, land assemblage, environmental remediation, etc.



## TIF Impacts (continued)

- At the time the TIF is created, the property value or equalized value of properties within the district (as determined by the Wisconsin Department of Revenue) become a base in which taxes continue to be paid to all taxing jurisdictions. This tax base does not increase nor does it decrease during the life of the TID.
- City budget and taxes levied on residential, business and industrial properties that are outside the TIF district are used for general City purposes. These funds are not used for any TIF related project or subsidy. In other words, a homeowner is not paying any of their tax dollars to cover the cost associated with any TIF district, such as Bayshore.



## TIF Impacts (continued)

- Tax impact for TIF districts is neutral. At the time the TIF district is terminated (the TIF debt is paid), the entire new property value is put on the City general tax rolls and taxes are distributed between the various taxing entities (schools, MATC, County, etc.).
- Lake Mills' TIF debt is financed by two different methods, for TID #2 the City pledged its full faith and credit for GO bonds without any guaranteed revenues and in TIDs #3 and 4 the City will pledge its full faith and credit with guaranteed revenues through a developer's agreement.



## TIF Impacts (continued)

- Status of Existing TIF's
  - Since 1980 the City has created four TIF Districts, of which one has been terminated.
  - City currently has three active TIF Districts:
    - Industrial Park (TID #2)
    - CPN Area (TID #3)
    - 89/CTH “V” (TID #4)



## TIF Impacts (continued)

- **Status of Existing TID's (continued)**
  - The Wisconsin Department of Revenue annually provides and calculates the incremental value and success of ongoing TIF Districts.
    - TID #2 has an incremental value of \$13,478,900. When created, the property within the District was valued at approximately \$11,445,700. Total value today is approximately \$24,924,600.



## TIF Impacts (continued)

- Status of Existing TID's (continued)
  - TID #3 has a current incremental value of \$333,000. When created, property within the District had a value of slightly more than \$6,993,800. Current value is approximately \$7,326,800.



## TIF Impacts (continued)

- Status of Existing TID's (continued)
  - TID #4 has a current incremental value of \$3,686,300. When created, the property within the District had a value of approximately \$7,214,400. Current value is approximately \$11,132,300.



# — Proposed 2010 City Budget —

## Capital Projects Fund – TID#2

	2009	2010	2011	2012	2013	2014
<b><u>Revenues</u></b>						
Cash (1111)	\$ 63.7	\$ 65.3	\$ 60.8	\$ 48.2	\$ 36.4	\$ 20.8
TID Increment (4112)	\$ 242.6	\$ 248.7	\$ 254.9	\$ 261.3	\$ 267.8	\$ 274.5
TID #4 Exempt Computer Aid (4343)	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0
Grant (4354)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Developer Charges (4690)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest (4811)	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Transfer from GF (4921)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b><u>Total Revenues</u></b>	<b>\$ 312.8</b>	<b>\$ 320.5</b>	<b>\$ 322.1</b>	<b>\$ 316.0</b>	<b>\$ 310.7</b>	<b>\$ 301.8</b>
<b><u>Expenses</u></b>						
Principal (5810)	\$ 65.0	\$ 80.0	\$ 100.0	\$ 110.0	\$ 125.0	\$ 140.0
Interest (5820)	\$ 105.0	\$ 102.2	\$ 98.9	\$ 94.6	\$ 89.9	\$ 84.1
Contracted Services (5150) (00-81-000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to GF (5920)	\$ 77.5	\$ 77.5	\$ 75.0	\$ 75.0	\$ 75.0	\$ 75.0
<b><u>Total Expenses</u></b>	<b>\$ 247.5</b>	<b>\$ 259.7</b>	<b>\$ 273.9</b>	<b>\$ 279.6</b>	<b>\$ 289.9</b>	<b>\$ 299.1</b>
<b>GRAND TOTAL</b>	<b>\$ 65.3</b>	<b>\$ 60.8</b>	<b>\$ 48.2</b>	<b>\$ 36.4</b>	<b>\$ 20.8</b>	<b>\$ 2.7</b>



# Proposed 2010 City Budget

## Capital Projects Fund – TID#3

	2009	2010	2011	2012	2013	2014
<b><u>Revenues</u></b>						
Cash (1111)	\$ -	\$ 1.0	\$ 8.4	\$ 18.5	\$ 28.6	\$ 38.7
TID Increment (4112)	\$ 12.0	\$ 7.3	\$ 10.0	\$ 10.0	\$ 10.0	\$ 10.0
TID #4 Exempt Computer Aid (4343)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant (4354)	\$ 30.0	\$ -	\$ -	\$ -	\$ -	\$ -
Developer Charges (4690)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest (4811)		\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Transfer from GF (4921)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b><u>Total Revenues</u></b>	<b>\$ 42.0</b>	<b>\$ 8.4</b>	<b>\$ 18.5</b>	<b>\$ 28.6</b>	<b>\$ 38.7</b>	<b>\$ 48.8</b>
<b><u>Expenses</u></b>						
Principal (5810)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest (5820)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contracted Services (5150) (00-81-000) (Old Crepaco Environmental)	\$ 36.0	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to GF (5920)	\$ 5.0	\$ -	\$ -	\$ -	\$ -	\$ -
<b><u>Total Expenses</u></b>	<b>\$ 41.0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>GRAND TOTAL</b>	<b>\$ 1.0</b>	<b>\$ 8.4</b>	<b>\$ 18.5</b>	<b>\$ 28.6</b>	<b>\$ 38.7</b>	<b>\$ 48.8</b>



# Proposed 2010 City Budget

## Capital Projects Fund – TID#4

	2009	2010	2011	2012	2013	2014
<b><u>Revenues</u></b>						
Cash (1111)	\$ -	\$ 8.5	\$ 84.6	\$ 76.8	\$ 69.0	\$ 61.2
TID Increment (4112)	\$ 70.0	\$ 81.0	\$ 110.0	\$ 110.0	\$ 110.0	\$ 115.0
TID #4 Exempt Computer Aid (4343)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant (4354)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Developer Charges (4690)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest (4811)		\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
Transfer from GF (4921)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b><u>Total Revenues</u></b>	<b>\$ 70.0</b>	<b>\$ 89.6</b>	<b>\$ 194.8</b>	<b>\$ 187.0</b>	<b>\$ 179.2</b>	<b>\$ 176.4</b>
<b><u>Expenses</u></b>						
Principal (5810)	\$ -	\$ -	\$ 90.0	\$ 90.0	\$ 90.0	\$ 90.0
Interest (5820)	\$ -	\$ -	\$ 28.0	\$ 28.0	\$ 28.0	\$ 28.0
Contracted Services (5150) (00-81-000)	\$ 24.0	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to GF (5920)	\$ 37.5	\$ 5.0	\$ -	\$ -	\$ -	\$ -
<b><u>Total Expenses</u></b>	<b>\$ 61.5</b>	<b>\$ 5.0</b>	<b>\$ 118.0</b>	<b>\$ 118.0</b>	<b>\$ 118.0</b>	<b>\$ 118.0</b>
<b>GRAND TOTAL</b>	<b>\$ 8.5</b>	<b>\$ 84.6</b>	<b>\$ 76.8</b>	<b>\$ 69.0</b>	<b>\$ 61.2</b>	<b>\$ 58.4</b>



# 2010 Budget & Beyond

- Levy Limits

- The 2010 budget was limited to the 3.0% levy limit and net new construction in 2009 add \$8.5 million of new assessed value.
- The City will be allowed to carry over the unused levy capacity from 2007/2008 and 2008/2009 as shown on the levy limit sheet and allowed for a levy increase of 8.37%. This is a substantial improvement as previously a community that did not levy the maximum was actually penalized under the State law in subsequent years.



## 2010 Budget & Beyond (continued)

- Future Growth Restrictions

- This is the first time in twenty years that the equalization ratio will have risen. This means for the first time that the equalized rate will increase more than the gross rate.
- As tax limitations continue, the City's ability to grow and maintain its level of services and infrastructure will be severely impacted.



## 2010 Budget & Beyond (continued)

- **Public Safety**
  - Most severely impacted by restrictions on growth and funding limitations will be public safety, specifically police and fire, which currently comprise the largest percentage of the current City budget.



# Tax Rate Projection 2010

- The Council does not set or establish a tax rate.
- The Council approves and adopts an annual City budget and tax levy.
- With an approved tax levy, a State created formula is used to develop actual tax rates.
- Projected equalized tax rate will be \$7.11 per \$1,000 of assessed value and the gross rate is \$8.28.
- The 2009 City equalized tax rate was \$7.07 per \$1,000 of assessed value and the gross rate was \$8.32.
- The equalized increase will be \$0.56 per \$1,000 assessed valuation or 0.77% and the gross rate will decline 0.44%.



# Tax Rate Projection 2010

- Impact on a typical assessed home (\$150,000) and an aggregate ratio of .8577.
  - In 2008, the unequalized City tax was \$1,196
  - In 2009, City tax was \$1, 249.00
  - In 2010, City tax is estimated to be \$1,243
- The difference is a reduction of \$6.00 or \$0.50 a month.



## Questions/Answers

- No action on the budget or levy will be taken or considered by the Council this evening.
- The budget and levy are scheduled for final approval on Tuesday, November 17, 2009.
- The final budget and tax levy needs to be in full compliance with applicable State law.
- The budget has become a very complex and delicate balancing act between cost increases, State law, service levels and future needs of the City beyond 2010.
- As a reminder, the Council has **NO** control, responsibility or authority over the schools, MATC, or Jefferson County budgets or tax levies.



