

2016 Executive Operating Budget Overview

Common Council

October 20, 2015

Transition Issues

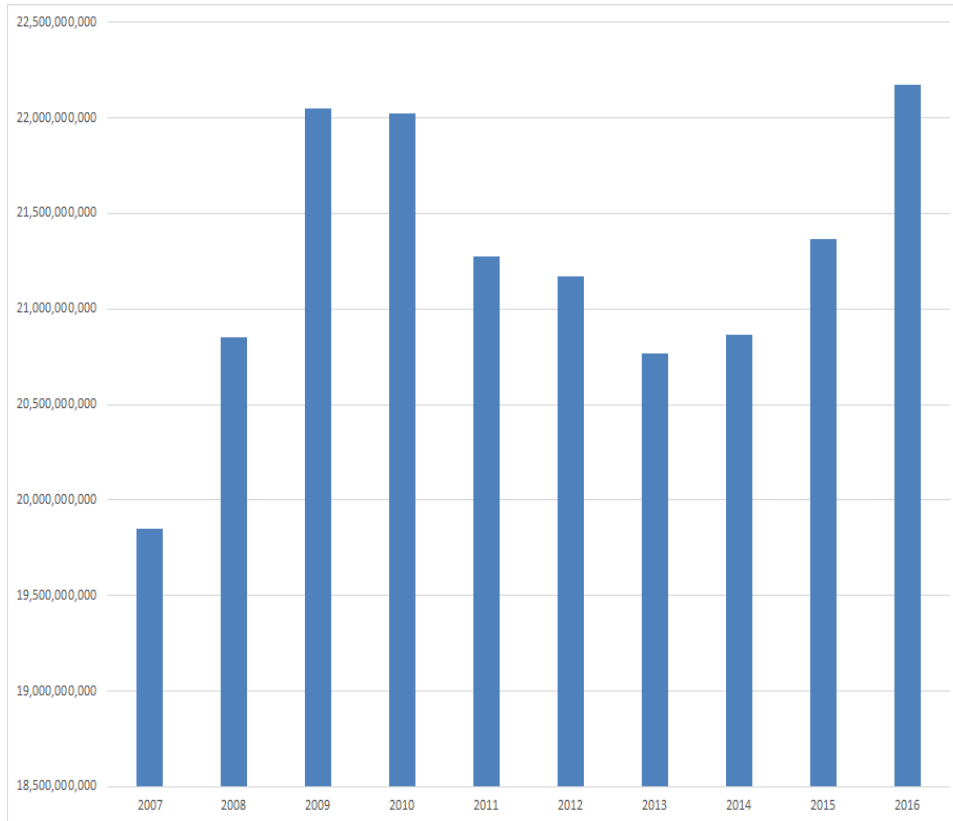
- Transition from SxD to MUNIS
 - New Chart of Accounts (hierarchy and detail of all the City's revenues and expenditures)
 - Budget staff mapped old COA to new COA to help with year-to-year comparisons.
- New methodology for tracking interagency billings:
 - SxD – estimated total interdepartmental charges and made large number of corrective accounting transactions at year-end.
 - MUNIS – direct bill salary and other charges as they occur
 - Outcome – better understanding of actual costs compared with budget throughout the year; fewer year-end accounting transactions.
- Salary and benefits estimates:
 - SxD – agencies used position / payroll reports to build salary estimates; health insurance estimated as a percentage of departmental salaries
 - MUNIS – software projects the cost of each position based on actual data, including health insurance plan and allocation of salary charges.
 - Outcome – more precise uniform approach to salary and benefits cost estimates.

Transition Issues

- Transition from decentralized to more centralized approach to citywide budgeting
 - Goal – Standardize approach to budgeting practices in all agencies.
- Uniform budget / actual hierarchy will breakdown budgets into smaller services cost centers which allow budget conversations to connect budget with results.
- Entry of 2015 budget into MUNIS causes year-to-year comparison issues due to health insurance calculation and allocation of interdepartmental charges.
- Position control structure causes budget reconciliation issues:
 - Pooled positions (multiple employees occupying one position number)
 - Recruit classes (interaction of partial year costs with full-time equivalent positions)
- Still reviewing some reconciliation issues; may need a corrective BOE amendment:
 - CDD/CDBG Contract Funding – interaction of federal / state grants and levy funded grants – unexplained increase in levy support of \$400,000 from 2015; possibly reflects budgeting for previously encumbered levy-supported contracts.
 - Engineering positions – allocation of salaries between General Fund and Utilities (Sewer, Stormwater, Landfill).

Assessed Property Values

Values -- 2007 to 2016
*Seven Years to return to Previous
Assessed Value Levels*



change from 2014

Residential:	up 3.94%
Commercial:	up 5.75%
Agricultural:	down 8.81%
Manufacturing:	up 2.27%
Personal Property:	up 1.23%
TIF Increment Value (deduction):	up 29.95%
Net Taxable Property:	up 3.79%
Average Value Home:	up 3.46%

Spending and Levy Increase

Change from 2015	\$	%
Expenditures	\$5.8 million	2.1%
Revenues	\$0.7 million	0.9%
Fund Balance Applied	\$-1.4 million	-100.0%
Levy	\$6.5 million	3.2%

Tax Rate (Mill Rate)

- Tax rate = Levy divided by Assessed Value

\$209,443,618 divided by \$22,172,499,550 =
0.094461

or

9.4461 per \$1,000 of value
(down 0.5% from 2015)

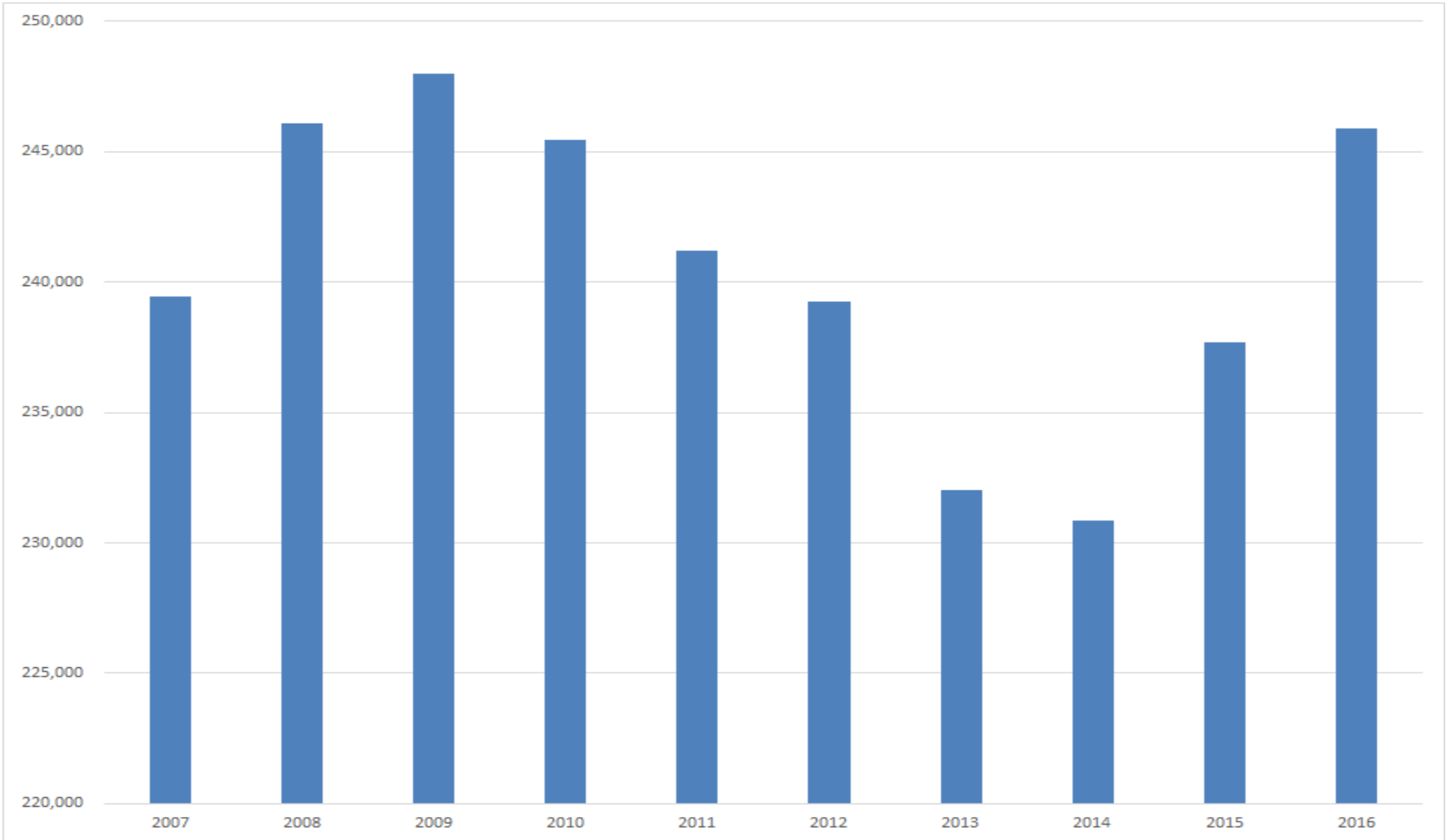
Taxes on Average Value Home

- Average value home = \$245,894 (up 3.5%)
- Tax rate multiplied by value = taxes on average value home

0.94461 multiplied by \$245,894 = \$2,323

\$66 / 2.9% increase from 2015

Average Value Home still below 2009 High



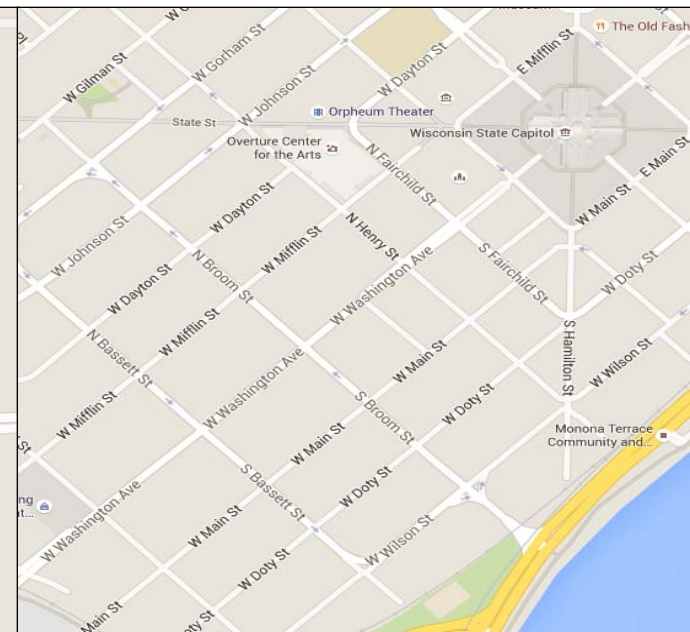
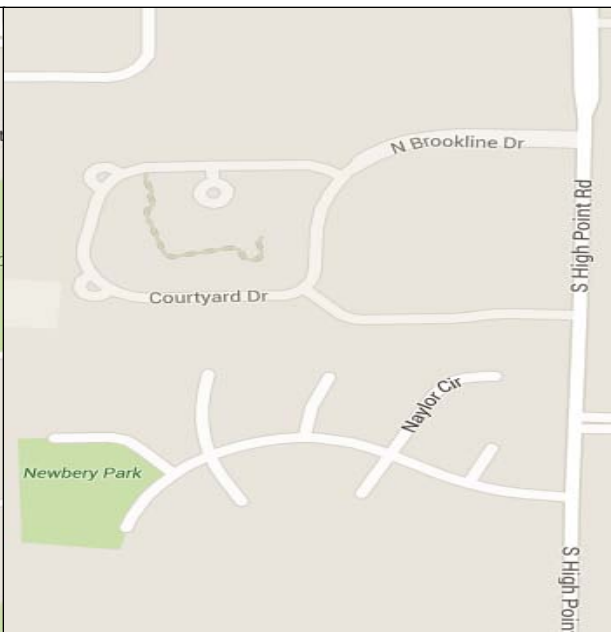
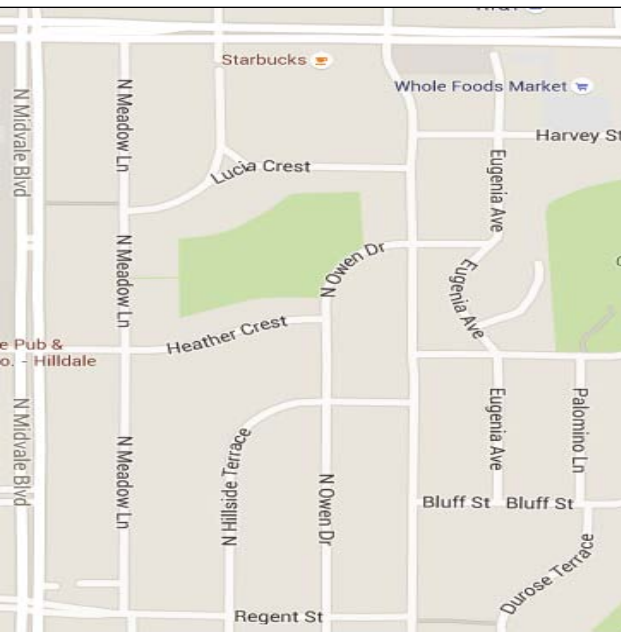
Average Home Value Examples



Sunset Village – Hilldale --
\$244,200

Newbury Heights
(S. High Point Rd)
\$245,500

Near West (Square) --
\$246,900



Housing Tax Affordability

- Annual income for \$245,894 house:
 - Assuming 30% of income to housing
 - Requires \$59,782 household income
 - Average household income = \$53,464 (US Census)
- Total Property Tax **Estimate** (all taxing jurisdictions):
 - \$227 / 3.6% increase (*excludes credit effects*)
 - Income increase to maintain 30% = \$757
 - 1.3% increase in income
 - Inflation for 2016 = 2.1% (WI Economic Outlook)
 - Wage Growth for 2016 = 4.2% (WI Economic Outlook)

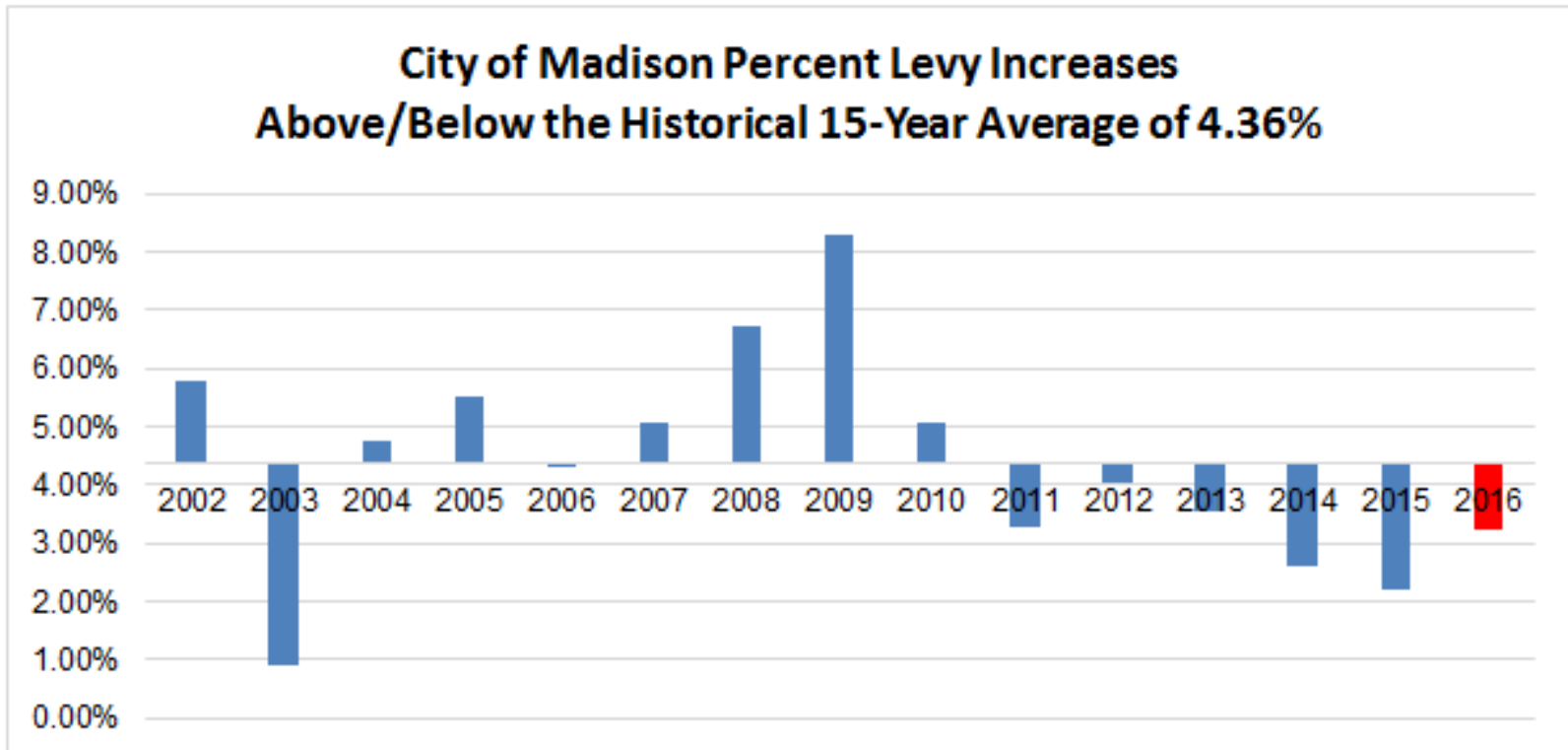
Levy Limit Calculation

	<u>2016</u>
2014/2015 Actual Levy	\$ 202,870,322
2014/2015 Levy for New General Obligation Debt Authorized After 7/1/2005	\$ (68,866,347)
2014/2015 Levy excluding General Obligation Debt Service	\$ 134,003,975
Net New Construction and Closed TID Percentage 2.280%	\$ 3,055,291
2015/2016 Levy Limit Prior to Adjustments	\$ 137,059,266
Debt Service for GO Debt Authorized After July 1, 2005	72,972,613
Adjustments for Current Year Annexations	48,507
Prior Year Unused Allowable Levy (up to 1.5%)	288,284
City Share of Refunded or Rescinded Taxes certified under s. 74.41 (5)	1,123,078
Allowable Levy	\$ 211,491,748
Actual Levy	209,443,618
Additional Levy Capacity / Carry Over to 2017	\$ 2,048,130

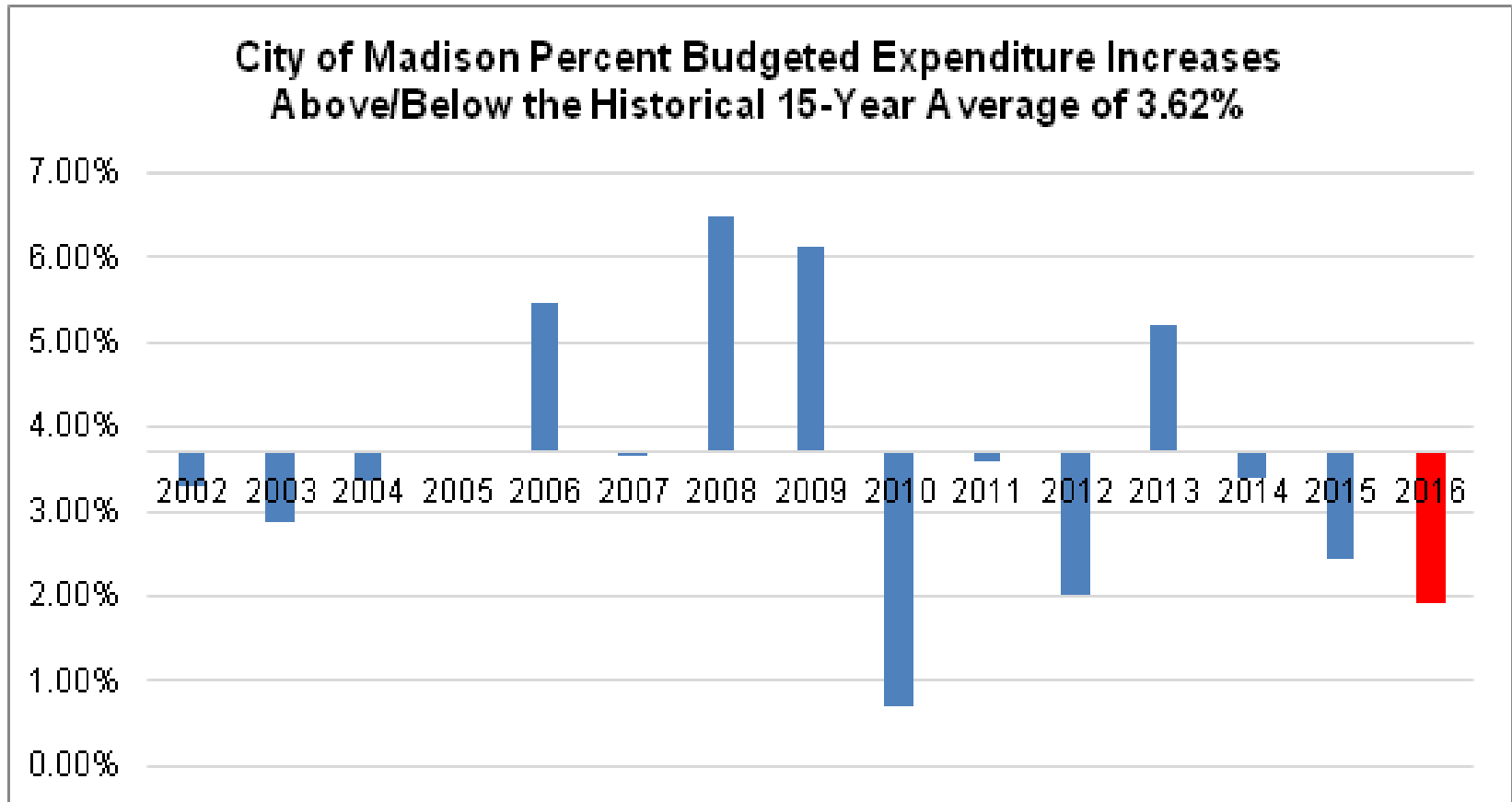
Levy Limit Issues

- Rescinded taxes:
 - DOR changed filing process; no communication.
 - City unable to file all eligible refunds before deadline; seeking exception from DOR.
 - Reduces maximum levy limit by \$471,475.
- October 6th Debt Issuance:
 - Reduces executive budget levy by \$74,763.
 - Reduces levy limit by \$180,951

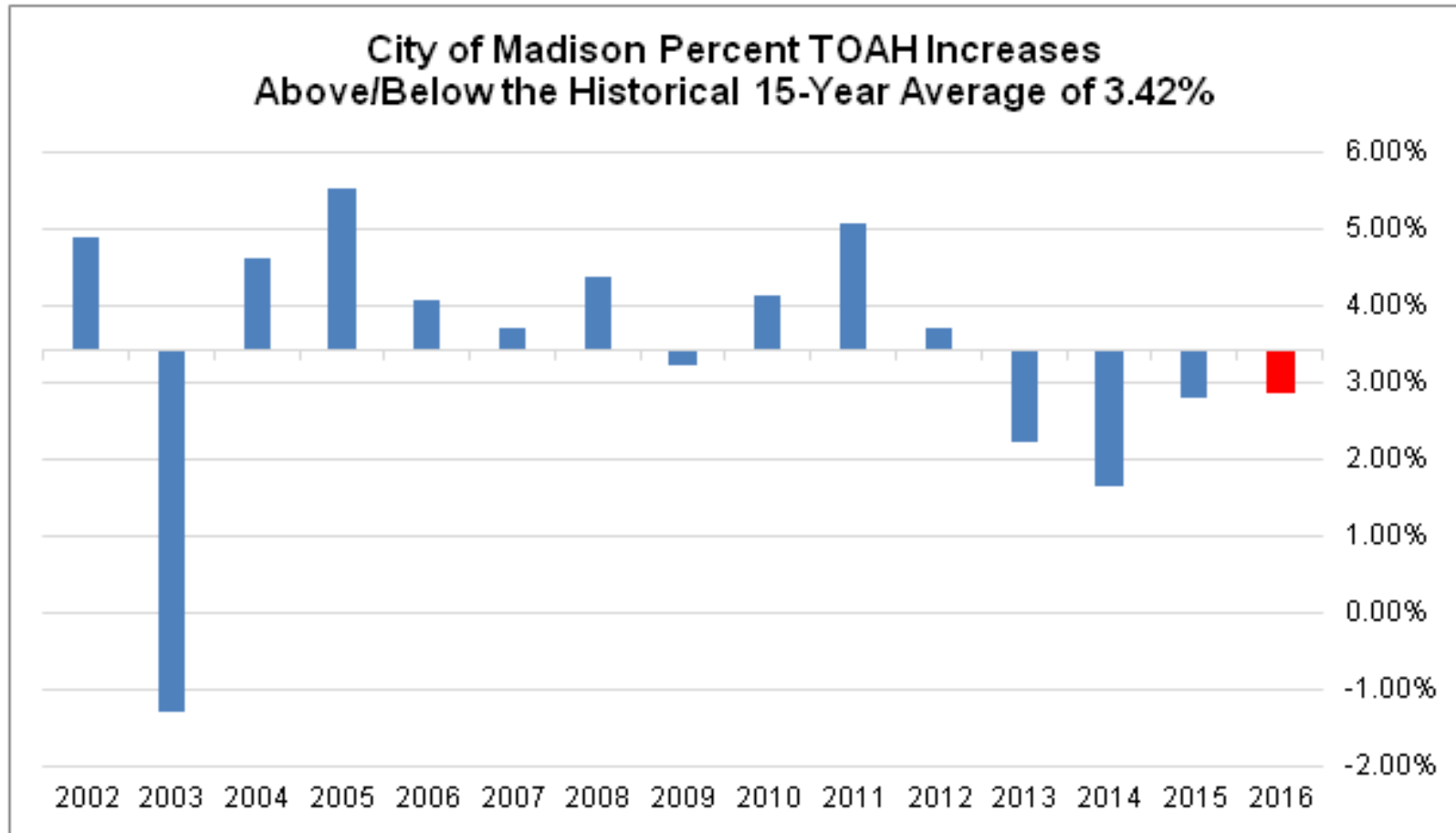
Historical Levy Increases



Historical Spending Increases



Historical Taxes on Average Value Home



Key Revenue Changes

- Room Tax:
 - Fund entire \$1.75 million Overture Center subsidy
 - Use \$500,000 of Monona Terrace reserves for operations
 - replenish in 2017
 - avoid structural issues by identifying other General Fund activities that are tourism related in 2017
 - 70% of room taxes to tourism-related activities starting in 2017; allocated by Tourism Commission.
 - Net General Fund benefit = \$2.3 million

Key Revenue Changes

- Urban Forestry Special Charge
 - Annualize monthly amount initiated in August
 - General Fund benefit = \$1.5 million
- Metro Transit Fund Balance
 - \$500,000; review fares on equity basis for 2017 budget.
 - \$250,000 for property insurance costs – reevaluate in 2017
 - \$225,000 to address compensation budget adjustments.
 - Fund balance has grown from \$478,000 in 2009 to \$5 million at end of 2014 (~ 11% of revenue).

Key Revenue Changes

- Ambulance Fee
 - Standardize at \$1,000
 - Increase resident fee from \$900 to match non-resident fee
 - Improves processing; may reduce contract costs.
 - Increases revenue by \$275,000
- Towing Fee
 - Increase from \$50 to \$65 (last increased in 1997)
 - New contract is increasing costs
 - Increases revenue by \$150,000

Expenditure Increases

Balancing the Budget

• Property Taxes	\$6.6 million
• Room Tax to General Fund	0.5 million
• Ambulance / Towing Fees	0.4 million
• Fund Balance Applied	-1.4 million
• State Aid	-0.5 million
• Other Revenues / State Aid	<u>0.3 million</u>
	\$5.9 million
• Expenditures	<u>-\$9.6 million</u>
	-\$3.7 million
• General Fund Spending Offsets:	
– Urban Forestry Special Charge (<i>reduces net Parks spending</i>)	\$1.5 million
– Overture Center to Room Tax (<i>reduces Planning spending</i>)	1.7 million
– Metro Transit Fund Balance (<i>reduces net Metro spending</i>)	<u>0.5 million</u>
	\$3.7 million

Room Tax Fund

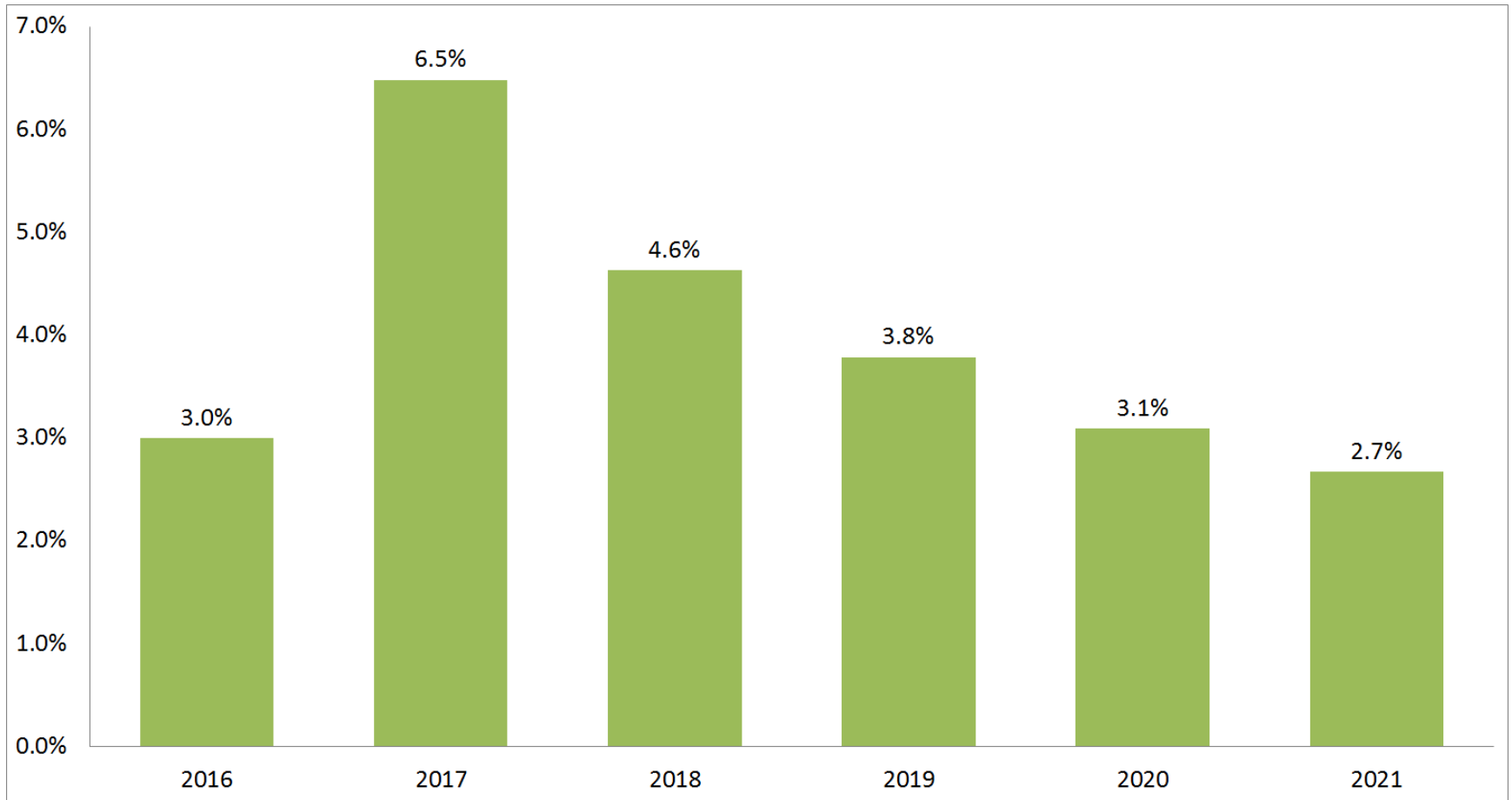
- Revenue growth:
 - 2014 actual - 12.2%
 - 2015 2nd Qtr - 16.1%
 - 2015 projected - 11.6%
 - 2016 budget - 11.0%
- Room Tax Distribution:

	2014 actual	2015 projected	2016 budget	2017 estimate
Tangible Municipal Development (Monona Terrace / Overture / TBD in 2017)	59%	38%	41%	46%
Tourism Marketing (GMCVB / City Activities)	19%	25%	22%	24%
General Purposes (no more than 30% in 2017)	22%	37%	37%	30%

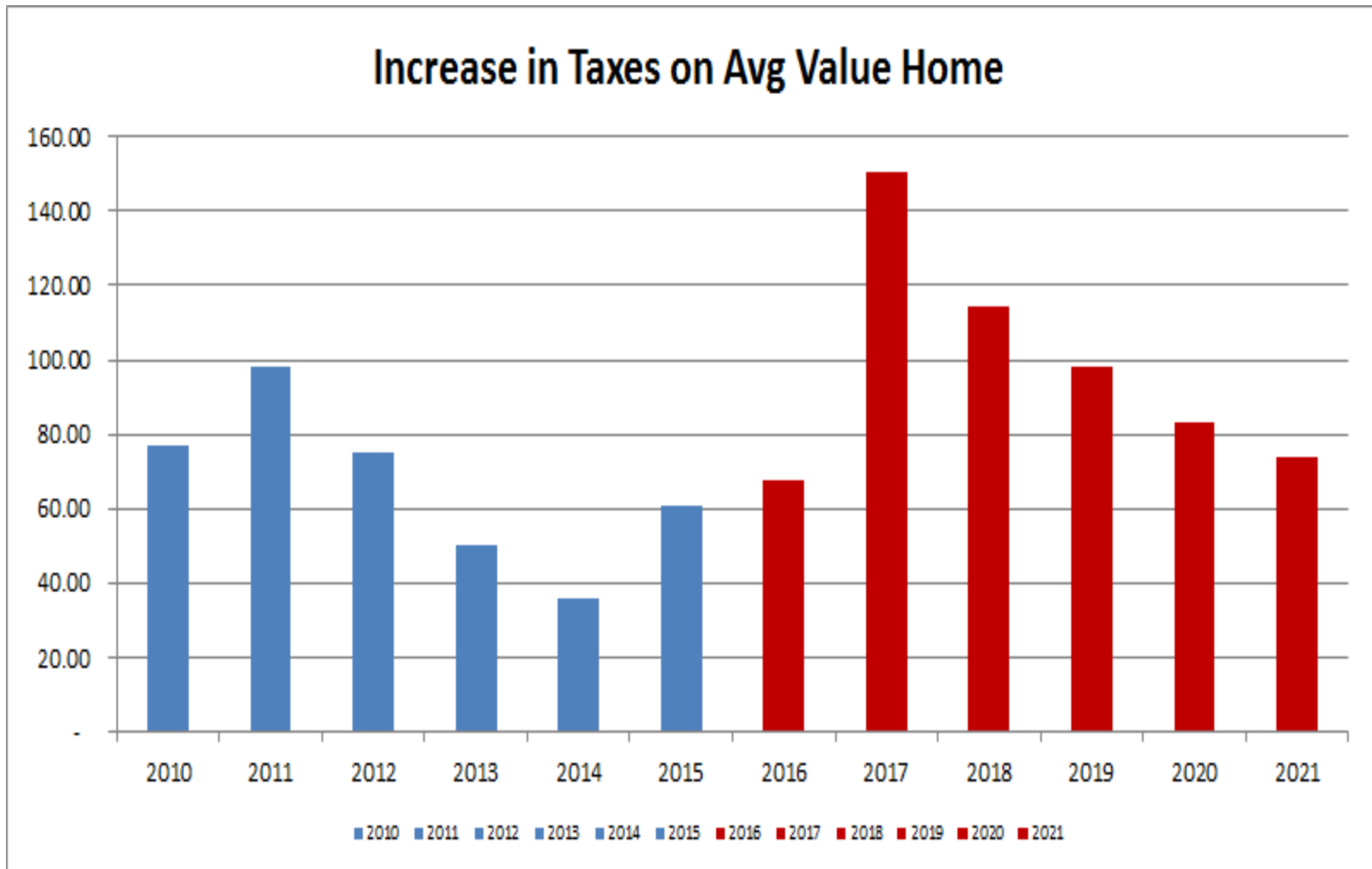
Long-Range Forecast Assumptions

- BOE CIP with actual borrowing at 67% of authorized levels in 2016 and 2017; 20 year debt for larger projects or equivalent (MMB, Fire Admin and Pinney).
- Pay increases at 1% annually plus 1.15% catch-up and 1.25% for post-retirement health in 2017; longevity and stipends increasing \$1 million/year.
- Health insurance up 7.5% annually; WRS up 1% annually.
- No growth in state aid; 0.5% growth in other revenue sources; 5% growth in general fund share of room taxes; no further increase in urban forestry special charge.

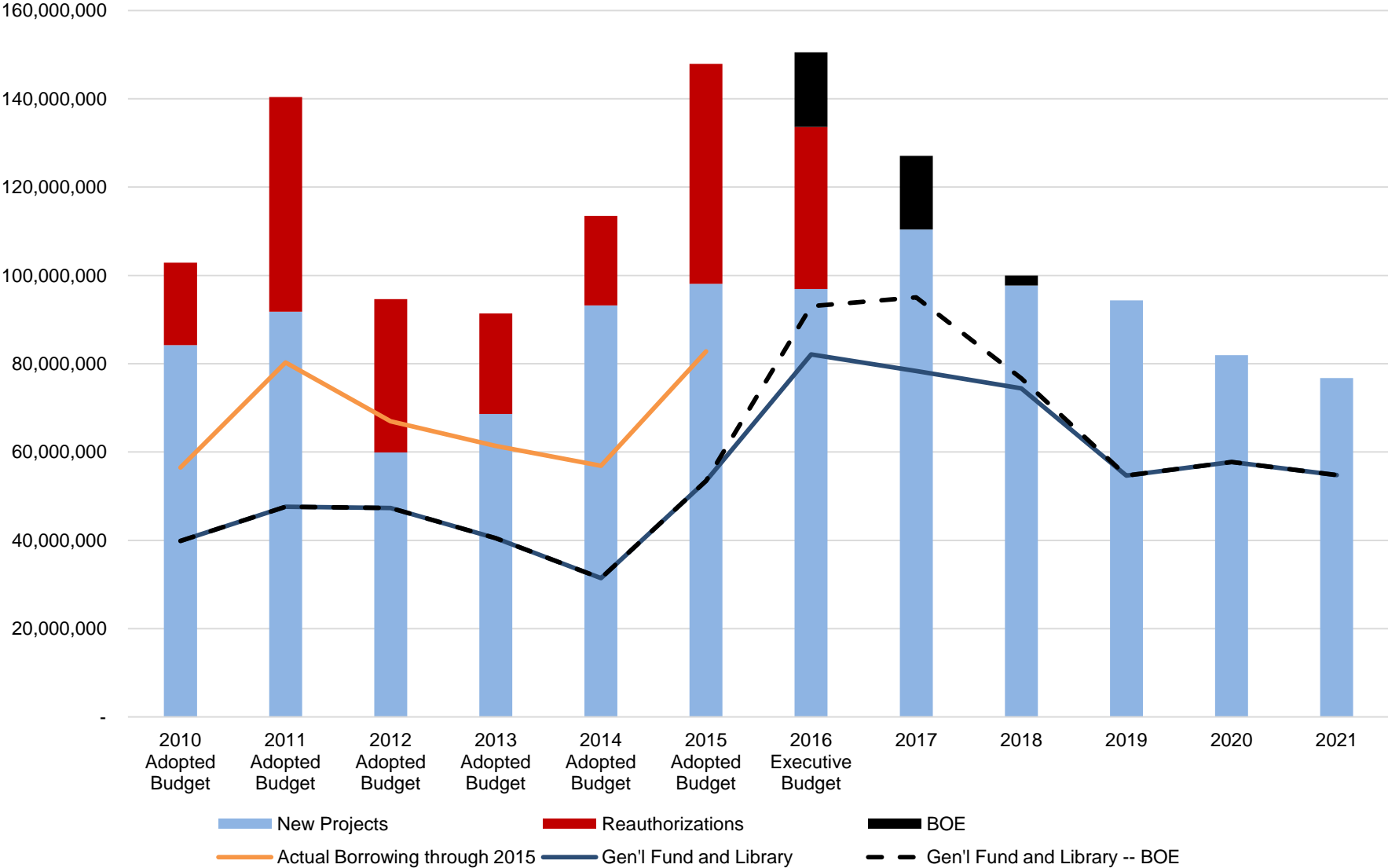
Projected Levy Increases



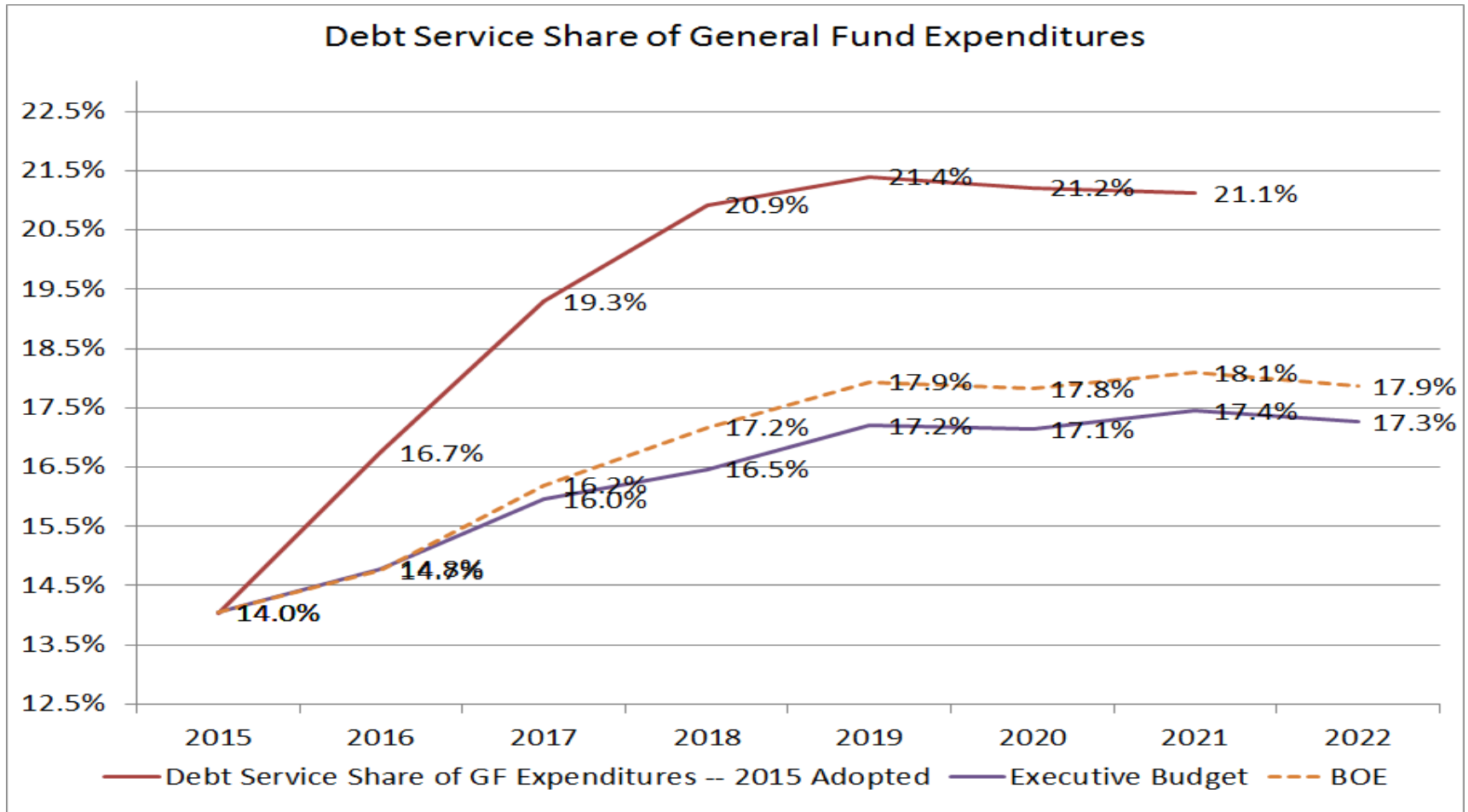
Projected Change in Taxes on Avg Value Home



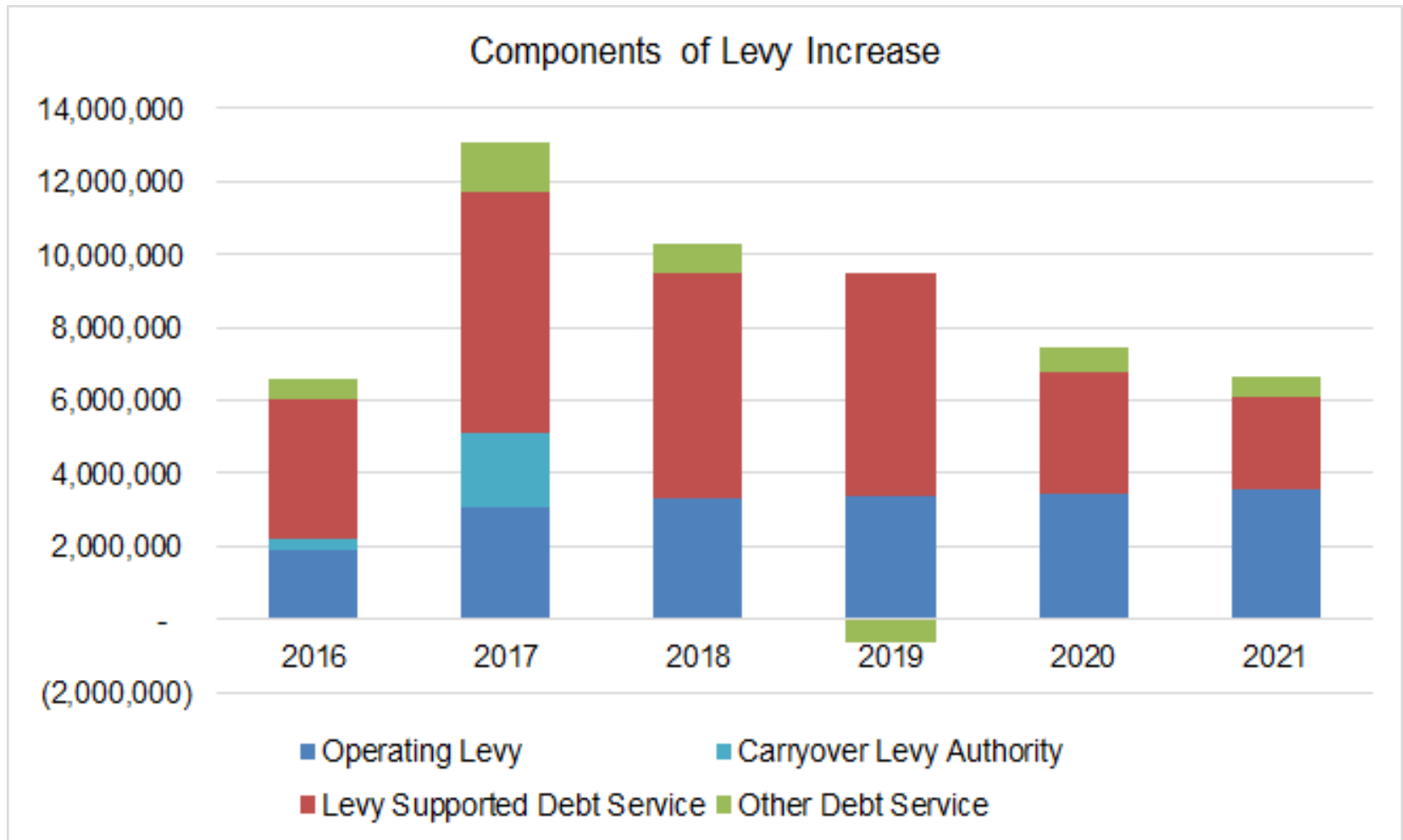
2010-2021 General Obligation Borrowing



Increasing Share of Spending for Debt Service

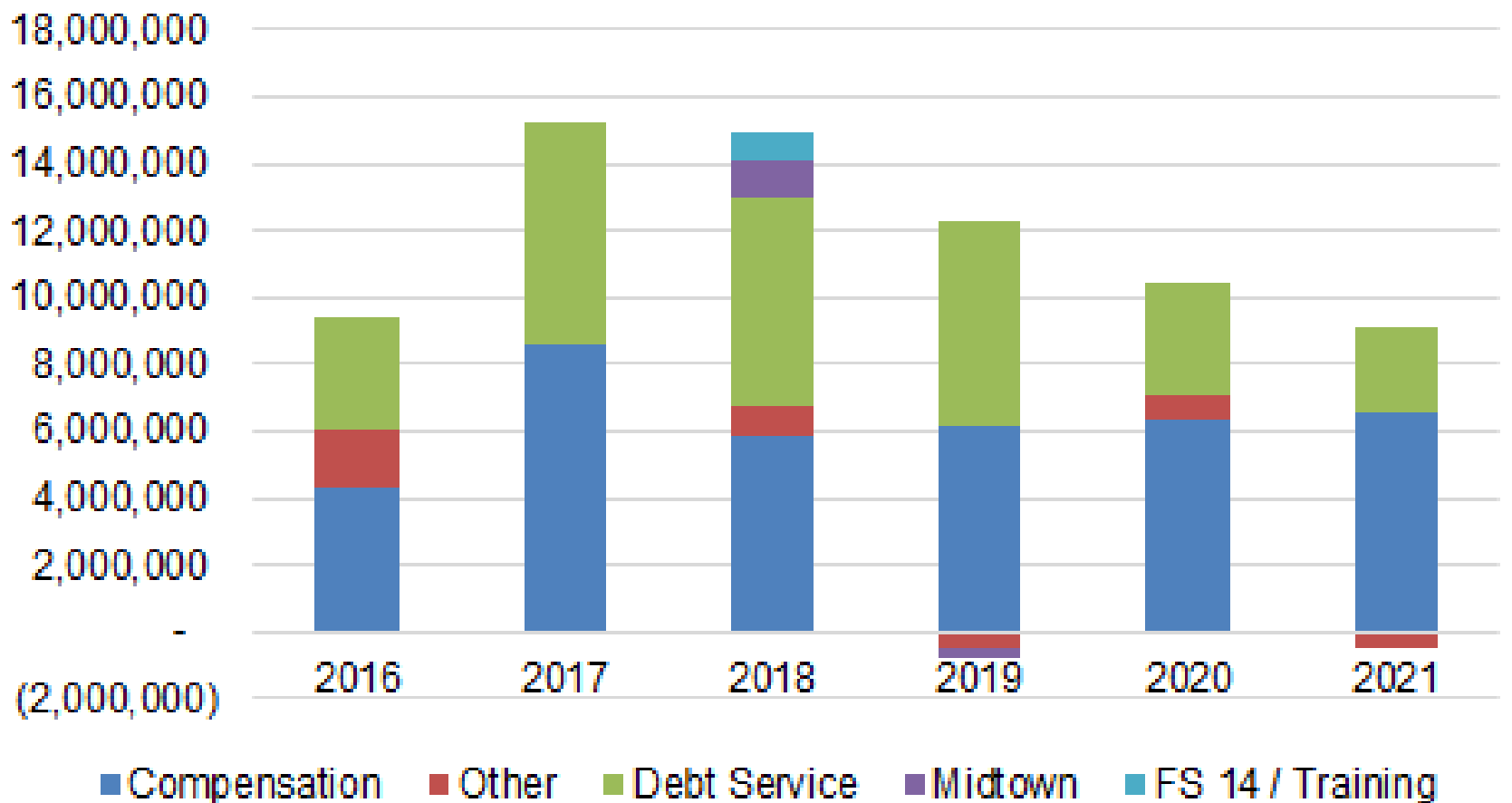


Larger Share of Levy Increase for Debt Service

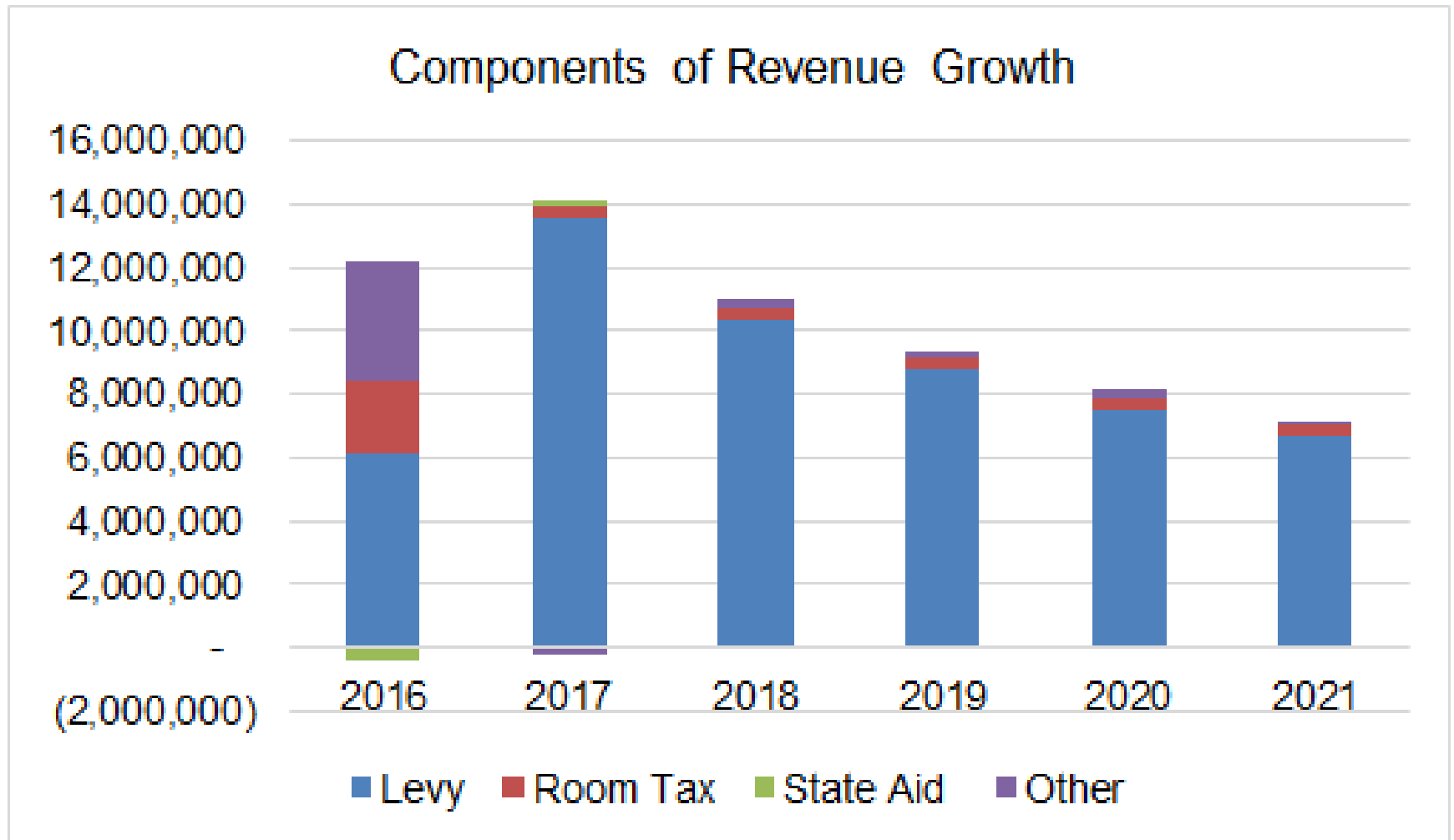


Compensation and Debt Service are Leading Cost Drivers

Components of Spending Increases



Limited Revenue Options other than Property Taxes



Long-Range Forecast Scenario

Deficits of \$1m to \$6m

