

2015 Executive Operating Budget

2014 Budget Update

City of Madison

Presentation to Board of Estimates

October 13, 2014

City Finance Department

2014 Projected General Fund Variances

Revenues

- Over by \$820,000
 - Room tax up \$583,000 (10% annual growth based on 2nd qtr actual collections)
 - Permits up \$100,000 (weaker 3rd qtr)
 - Investment income down \$500,000

Contingent Reserve balance = \$564,387

Expenditures

- Over by \$510,000 (assumes no more allocations from contingent reserve)
 - Snow and ice removal costs up \$1.3 million (assumes 2 major and 6 minor events above normal in Nov and Dec)
 - Municipal Court revenues (supporting CDD costs) down \$200,000
 - Fringe Benefits Reestimates / Police Convert to Pay – positive \$900,000

2015 Budget

Assessed Values

- From 1991 to 2015, values have grown an average of 5.5% annually. From 2010 to 2014, values have grown an average of 0.3% annually. Assessed values are still 3.1% below the 2009 peak year.
- Assessed value of property in tax increment districts (TIDs) increased nearly 20%. This is due both to value growth in existing TIDs and creation of new TIDs.
- The average home value is up 3%, reflecting stronger housing sales.

Changes in Assessed Values

Residential:	up 3.12%
Commercial:	up 2.90%
Agricultural:	up 13.37%
Manufacturing:	down 7.78%
Personal Property:	down 0.26%
TIF Increment Value (deduction):	up 19.61%
Net Taxable Property:	up 2.46%
Average Value Home:	up 2.97%

Estimated City Levy for 2014/2015

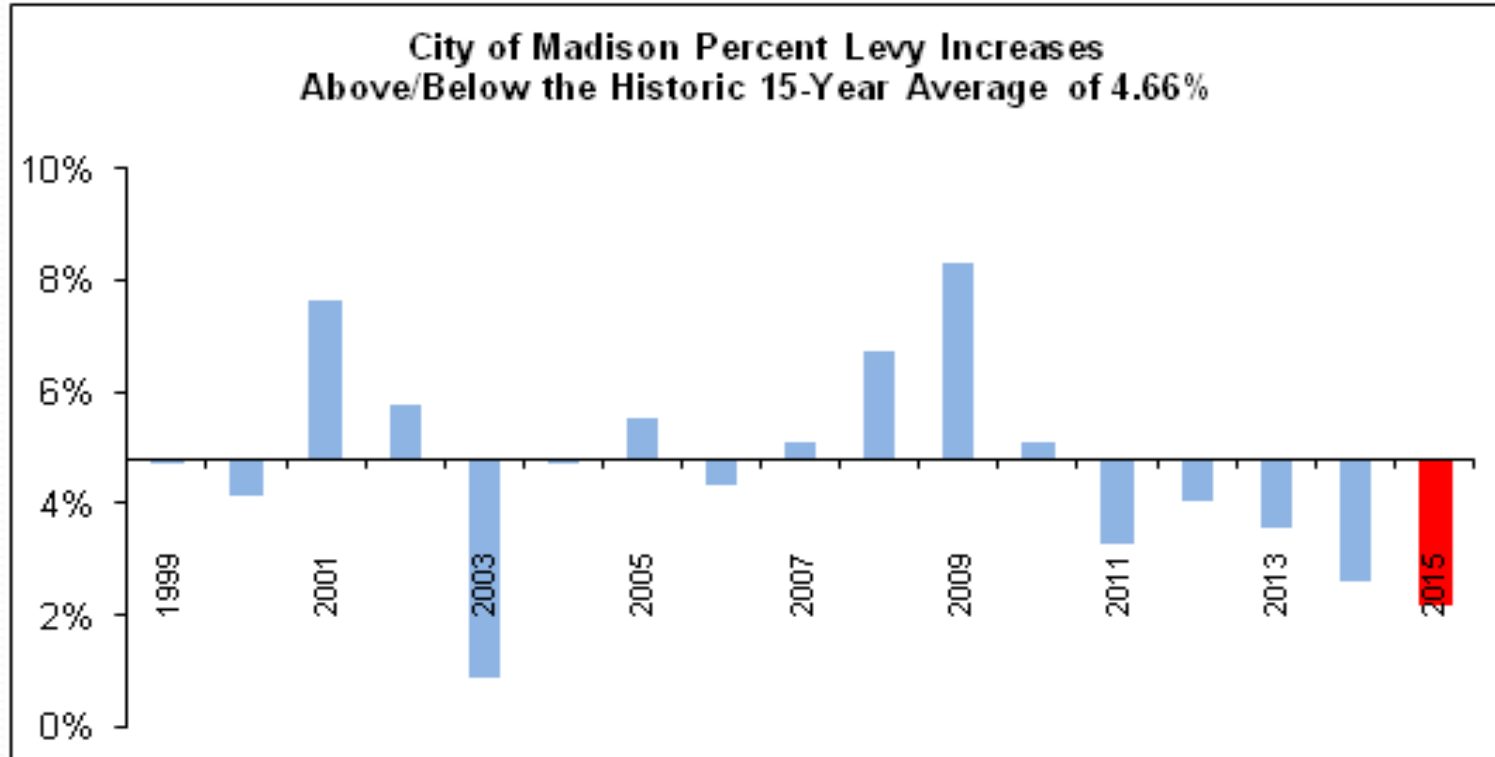
- Executive Budget
 - Levy up 2.2%
 - Mill rate down 0.2%
 - Taxes on average value home up 2.72%, due to value increase of 3% and mill rate decrease of 0.2%.

Executive Budget for 2015

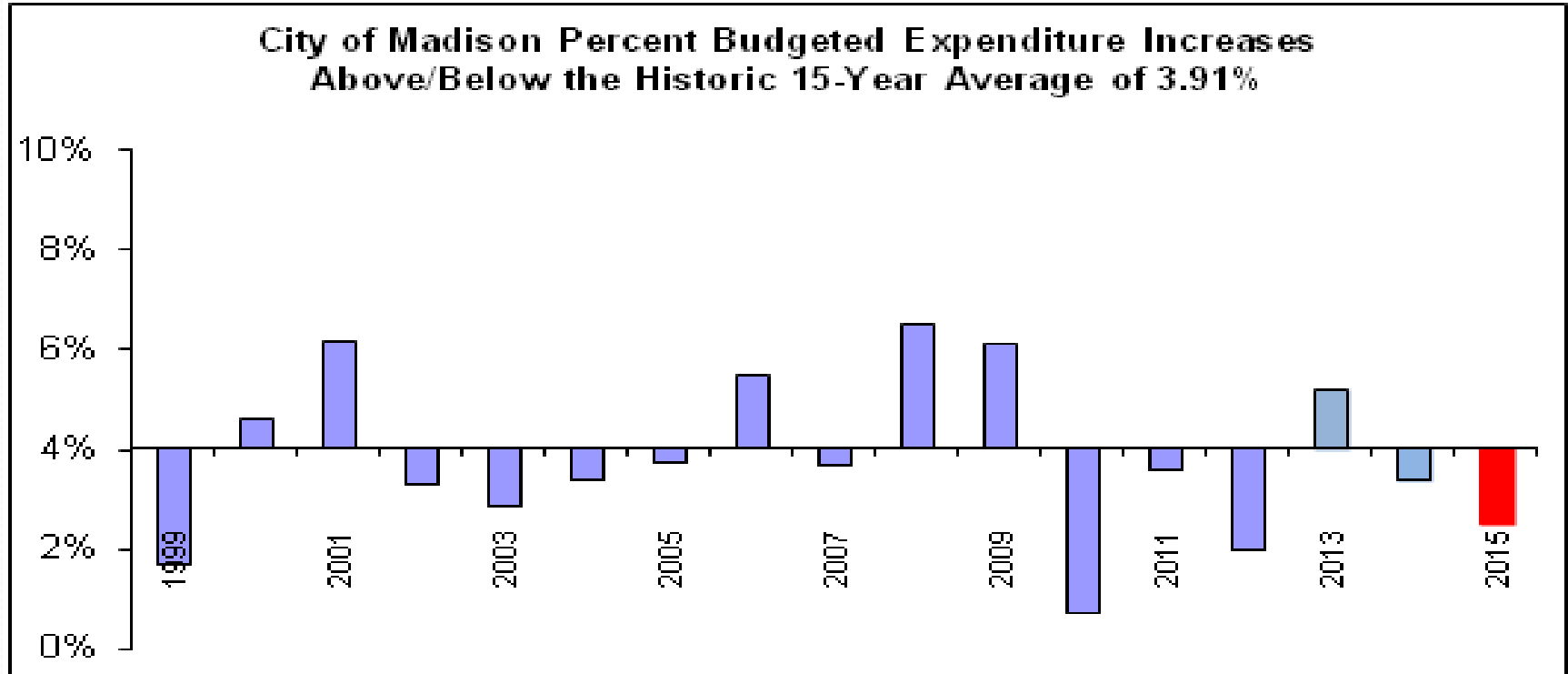
- Expenditures up 2.6%; debt service up 1.4%.
- Revenues up 7.3%; building permits up 36%; room tax expected to grow nearly 10%, with the transfer to the General Fund up 75%; state aid up 0.5% (1.5% with transit aid).
- Fund balance applied reduced – reflects one-time items in 2014 budget.

Change from 2014	\$	%
Expenditures	\$7.2 million	2.6%
Revenues	\$5.4 million	7.3%
Fund Balance Applied	-\$2.6 million	-65.5%
Levy	\$4.4 million	2.2%

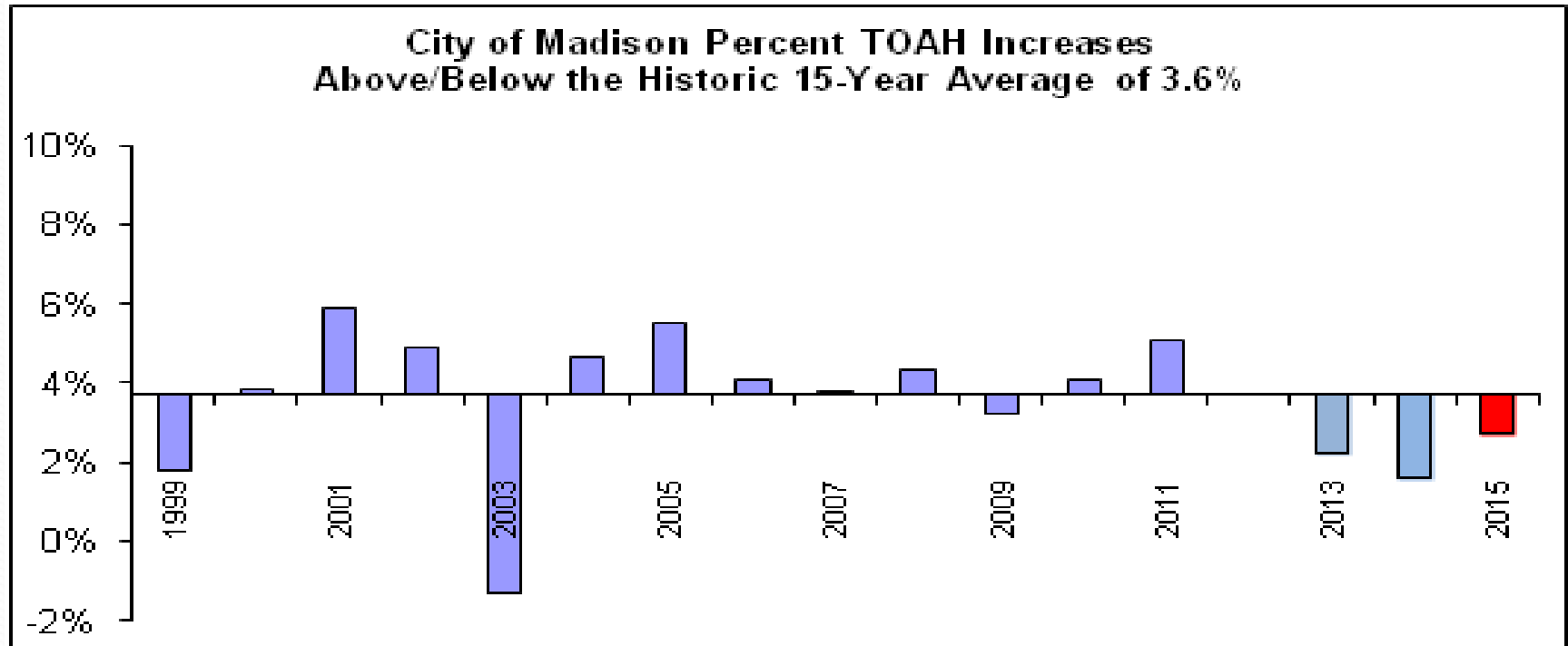
Trends -- Levy



Trends -- Expenditures



Trends – Taxes on Average Value Home



Balancing the Budget

Revenues

Property Taxes	4,716,882
Room Tax Transfer to General Fund	2,212,111
Building Permits	1,450,000
PILOT Reestimates	318,832
Street Operating Permit Fee Changes	200,000
Payment for Delinquent Taxes (impact of 4 property tax installments)	172,500
Other Local Revenues	1,135,000
State Aid	850,079
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	11,055,404

Expenditures

2015 Structural Deficit / One-time Items from 2014 Budget	2,450,313
Scheduled Wage Increases -- Police and Fire	2,487,940
All Other Wage Increases	1,785,425
Health Insurance	1,155,000
Wisconsin Retirement System	(858,391)
Other Compensation Reestimates	(828,265)
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Structural Deficit / One-time Items / Salary and Fringe Benefits	6,192,022
Debt Service and Direct Appropriation to Capital	1,216,753
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	7,408,775

Revenues vs. Expenditures

3,646,628

Costs-to-Continue

Fire Station 13 Staffing / End of SAFER Grant Funding	1,021,000
Police -- Full Funding of New and Grant Funded Positions	220,540
Police -- Vacation Convert to Pay Budget Phase-In	100,000
Streets -- Tipping Fee Phase-In and Recycling Costs	326,447
Metro Transit -- Route 50 Expansion	63,750
Fleet -- Debt Service	612,424
Insurance and Worker's Compensation Costs	175,000
Fleet Fuel Cost Reestimates	(200,000)
Other Costs-to-Continue and Reestimates	(314,948)

2,004,213

Revenues vs. Expenditures

1,642,415

Community Service Items

Emerging Opportunities Program Funding Expansion	75,000
Theresa Terrace Neighborhood Center Operations	40,540
Park Edge / Park Ridge Community Center Operations	156,000
Construction Employment Initiative	62,500
MOST Program Locator Initiative	37,500
Housing Specialist Position	82,023
Senior Center Support	30,000
Participatory Budgeting	100,000
Community Gardens Program Management	25,000
Martin Luther King, Jr Holiday Celebration Transit and Child Care	5,000
Municipal Court Revenues for Community Development Reestimate	76,200
Grant to Freedom, Inc	17,000
Reestimate of City Support for County-Run Day Shelter	(17,000)
Wanda Fullmore Summer Youth Intern Program Expansion	20,000
Neighborhood Resource Officers / COPS Grant / Command Position	157,021
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	866,784

Revenues vs. Expenditures

775,631

Other Budget Priorities

Emerald Ash Borer Mitigation -- Operating Costs	527,505
Overture Funding Increase	150,000
Racial Equity and Social Justice Recommendations -- Data Projects Coordinator	89,007
Budget Transparency Software	25,000
Operation Badger Base -- Honoring Vietnam War Veterans	1,000
Engineering Positions	29,580
Quality Improvement Position	58,726
Women's Leadership Program	7,500
Recycling Coordinator Double Fill	8,708
Alkaline Battery Recycling	25,000
Traffic Engineering Street Operating Permit Operations (offset by permit fee changes)	116,073
Street Marking Paint	10,000
Zoo Operations	12,452
Parks -- Maintenance Mechanic	52,980
Parks -- Financial Specialist	65,000
Planner Position	68,273
Weights and Measures Inspector (offset by permit fee changes)	33,000
PCED Assistant Director (budget, operations, public information -- levy share)	50,000
Fire -- MATC Training Center Lease	66,000
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	1,395,804

Revenues vs. Expenditures

(620,173)

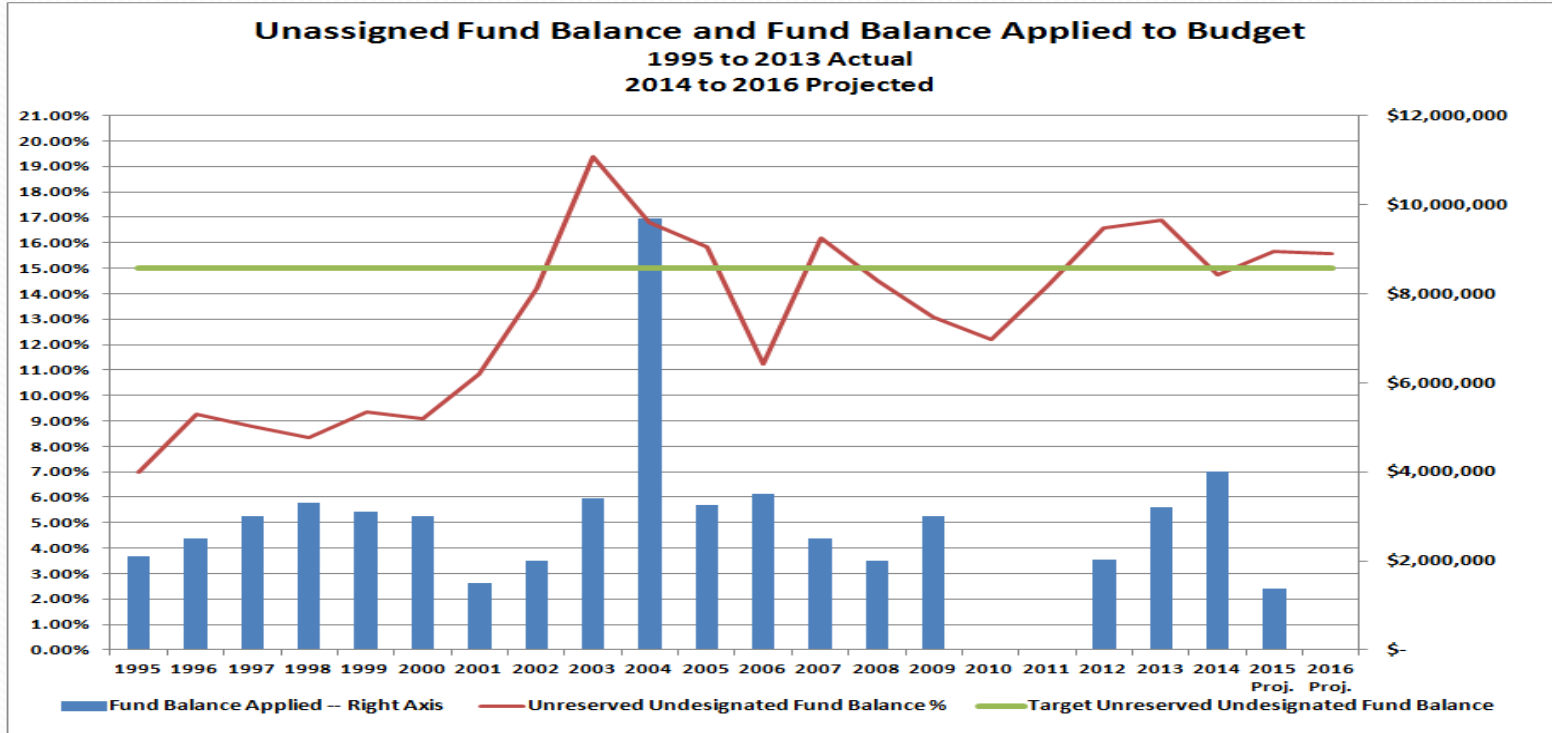
Achieving Balanced Budget

Items to Balance the Budget

Urban Forestry Special Charge	527,505
Direct Appropriation to Capital for Fleet Vehicles	412,422
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	939,927

Revenues vs. Expenditures	319,754
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General Fund Balance



Positions (net 34.8 FTE positions)

EAB Capital Project (Parks and Streets)	13.0
Engineering / Other Infrastructure	10.0
Police	5.0
Parks and Streets – Other	6.3
PCED / Planning / CDD / CDBG / BI	5.5
Data Projects Coordinator (RESJ rec)	1.0
All Others (new and eliminated)	-9.0

Summary

	2014 <u>Adopted Budget</u>	2015 <u>Executive Budget</u>	Change 2014 Adopted to 2015 <u>Executive</u>	% <u>Change</u>
General and Library Fund Expenditures	\$ 275,775,570	\$ 282,916,351	\$ 7,140,781	2.6%
Gross Debt Service	43,700,986	44,841,832	\$ 1,140,846	2.6%
Less Premium Applied	<u>4,053,000</u>	<u>4,627,823</u>	<u>\$ 574,823</u>	<u>14.2%</u>
Net Debt Service	39,647,986	40,214,009	\$ 566,023	1.4%
Less Direct Appropriation to Capital	<u>4,053,000</u>	<u>4,627,823</u>	<u>\$ 574,823</u>	<u>14.2%</u>
 Net Operating Expenditures	 \$ 232,074,584	 \$ 238,074,520	 \$ 5,999,935	 2.6%
State Shared Revenue	4,763,269	4,763,269	-	0.0%
Other State Aid	30,336,911	30,496,190	159,279	0.5%
Ambulance Fee	6,100,000	6,550,000	450,000	7.4%
Room Tax	2,957,832	5,169,943	2,212,111	74.8%
Building Permits	4,000,000	5,450,000	1,450,000	36.3%
Other Revenues	29,943,528	31,044,860	1,101,332	3.7%
Fund Balance Applied	<u>3,995,574</u>	<u>1,366,506</u>	<u>(2,629,068)</u>	<u>-65.8%</u>
	<u>77,333,845</u>	<u>80,077,499</u>	<u>2,743,654</u>	<u>3.5%</u>
 Property Tax Levy	 \$ 198,441,725	 \$ 202,838,852	 4,397,127	 2.2%

Capital Improvement Program

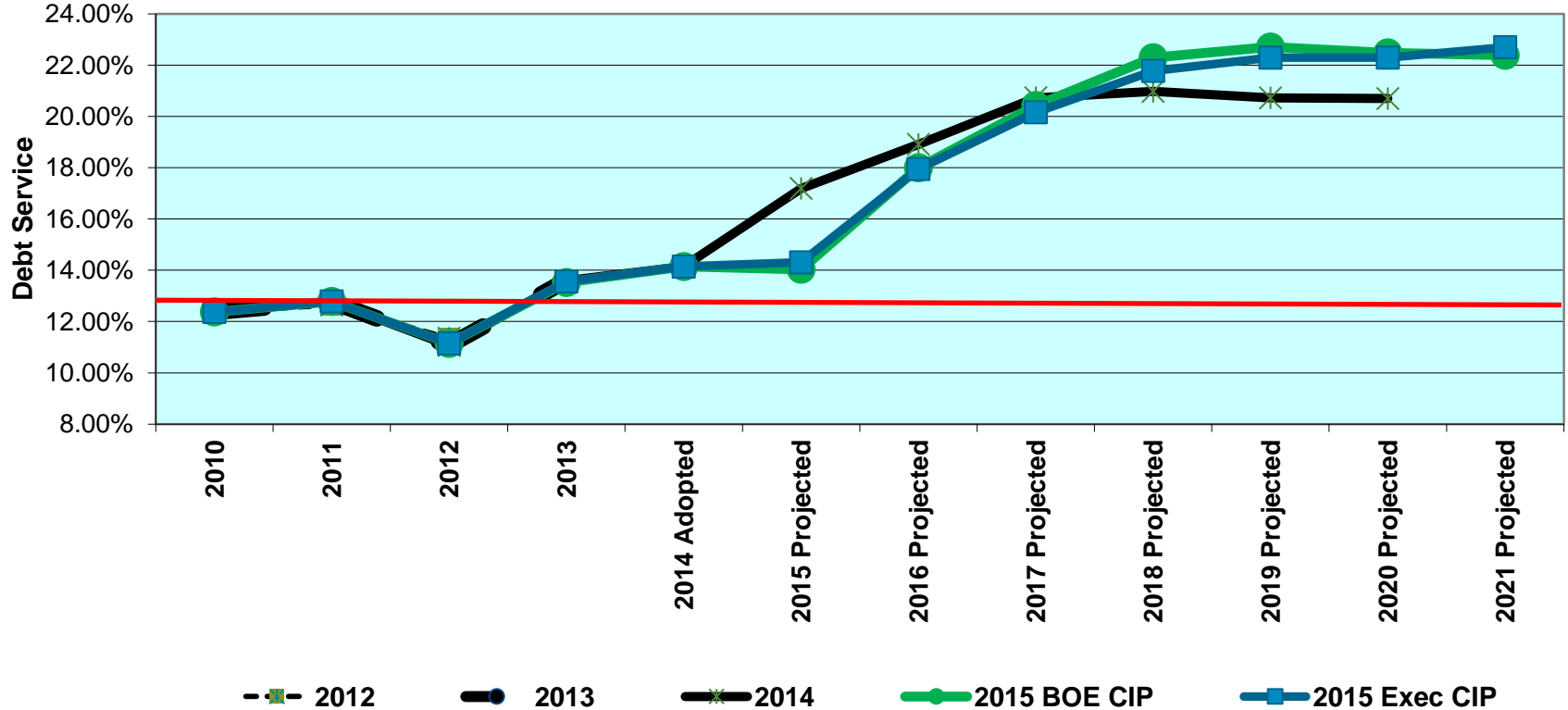
Key Projects

2015 through 2020

Reflects Adopted BOE Amendments



Ratio of Debt Service to Total General Fund Expenditures



Long-Range Forecast

2016 to 2020

General Fund

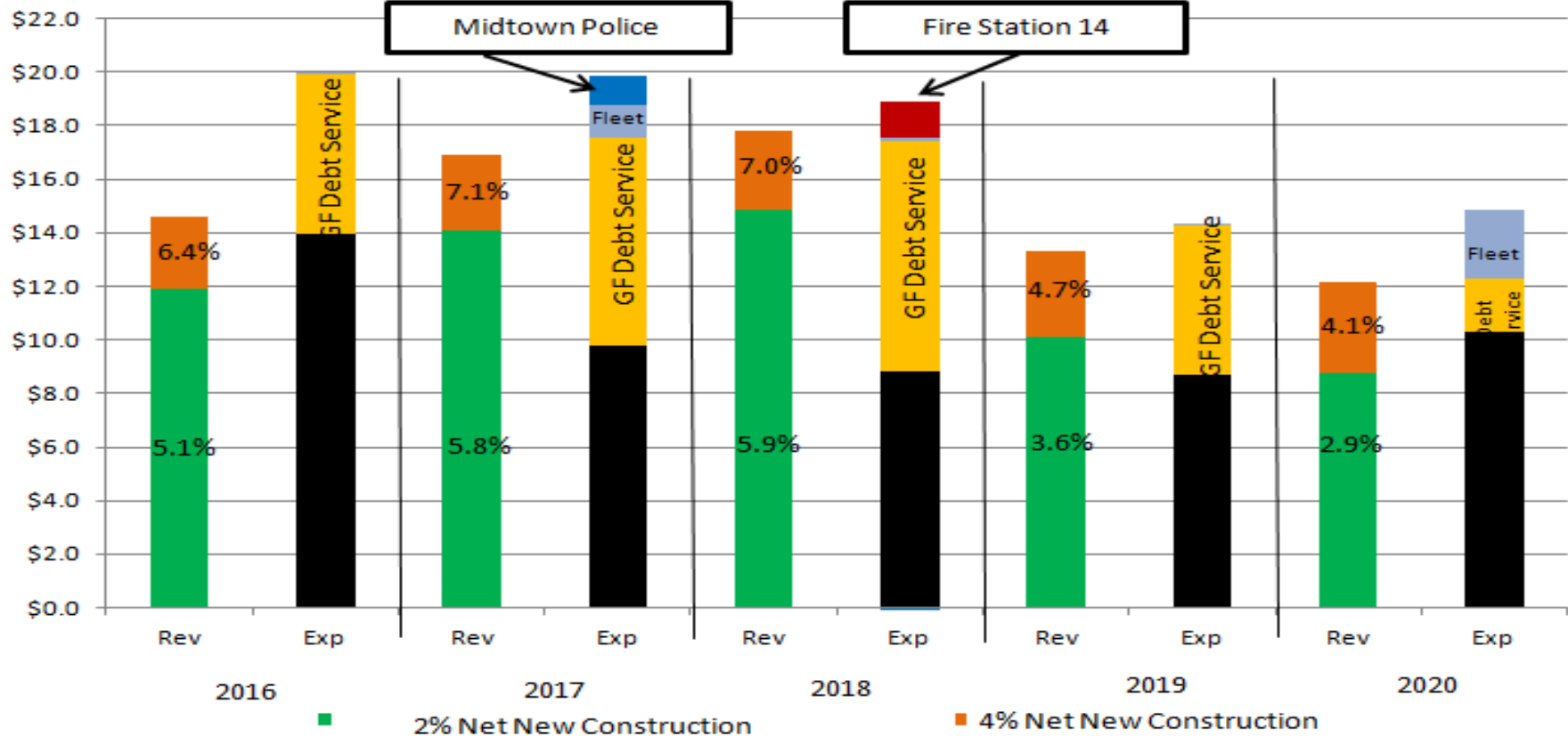
Capital Improvement Program

Background

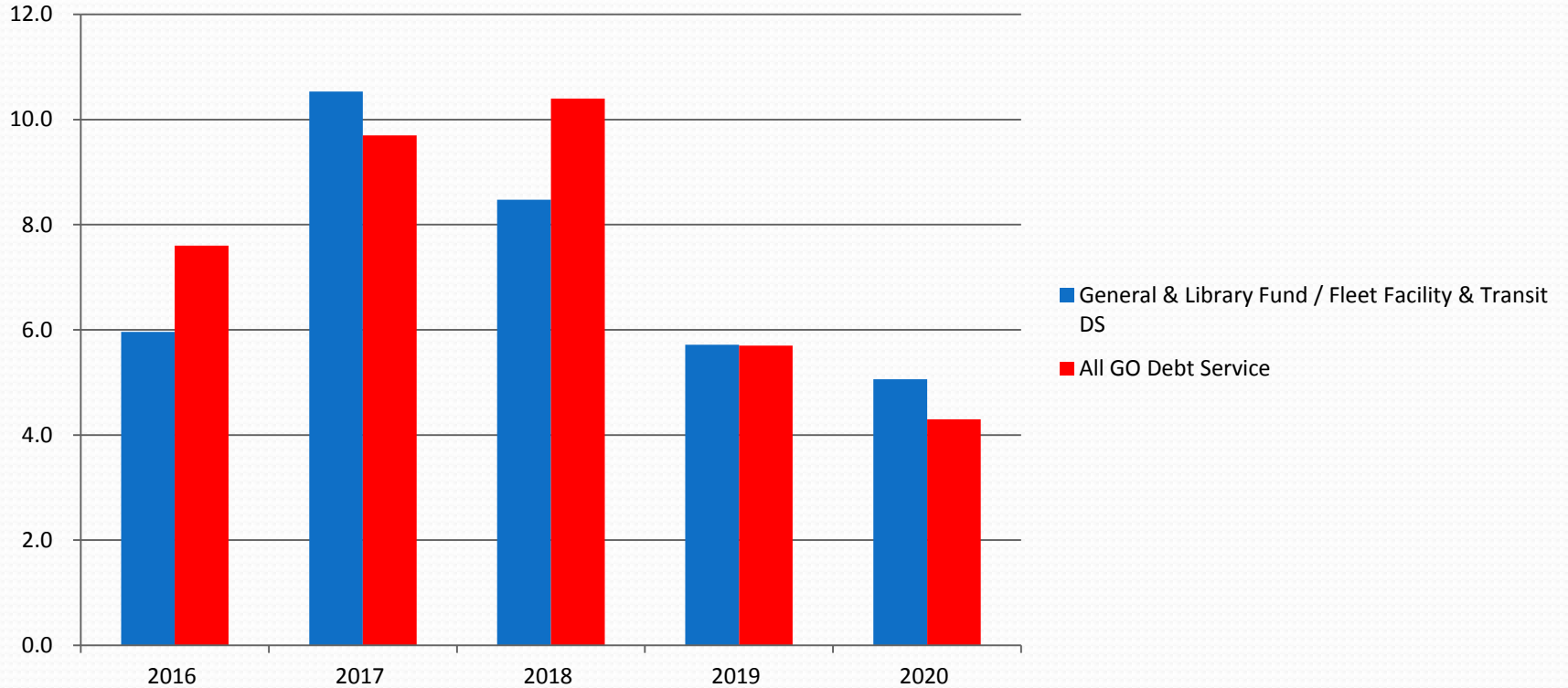
- Property taxes represent over 70% of City General Fund revenues.
- State law limits the growth in property tax levies to the share of net new construction in the City's equalized value. Debt service on general obligation borrowing is not limited.
- Net new construction has not exceeded 4% in at least the past 20 years.
- General obligation debt that is repaid from a source other than the property tax (e.g., Stormwater; TIF), provides additional levy capacity; rate of growth in General Fund compared to non-General Fund debt service affects amount available for operating purposes from year-to-year.
- Midtown Police District operations costs -- \$1.1 million in 2017.
- Fire Station 14 operations costs -- \$1.5 million in 2018.
- Police and Fire costs could be phased-in through federal grants (COPS and SAFER).

Assumptions

- Net new construction of 2% to 4%; annual levy increases range from 3% to 7%.
- Pace of actual GO debt issuance approximately 50% to 70% of CIP amounts.
- General Fund debt service expected to grow from \$37.7 million in 2015 (14% of expenditures) to \$72 million by 2020 (22%).
- Room taxes will grow 3% to 4% annually; GMCVB share increasing 2 percentage points annually (from 20% in 2014 to 30% in 2020); General Fund transfer will increase 1% annually.
- State aid will grow 1% annually.
- Other revenues will grow 1.5% annually; no new revenue sources
- Salaries up 3% in 2016; 2% thereafter; longevity and stipends increase \$1m annually
- Health insurance up 7.5% and WRS up 4% annually
- No new initiatives; no operations funding for new facilities, other than Midtown and Fire Station 14 after 2015.



All GO Debt Service vs. General & Library Fund and Fleet Facility / Transit Debt Service



Basic Calculations

- \$1m GO = \$130k debt service = 0.06% levy increase
 - Midtown = \$9m GO = \$1.2m d.s. = 0.6% levy increase
 - FS 14 = \$8.2m GO = \$1.1m d.s. = 0.5% levy increase
- Operations Revenues / Expenditures (\$ millions):

Net New Construction	
1%	1.3
2%	2.6
3%	3.9
4%	5.2
Other Revenue	1.6
Expenditures	
Health Insurance / WRS	3.0
1% Pay Increase	2.1
Midtown Operations	1.1
FS 14 Operations	1.5