



*City of Franklin*

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# Mayor's Recommended 2017 Budget



## **Mayor's 2017 Recommended Budget**

### **A financial plan that...**

- React to and incorporate initiatives that the Common Council has identified.
- Addresses outside influences and requirements.
- Maintains at least the status quo for departmental operations.



## Municipal Property Tax Levy:

**A primary factor and City initiative that drives the 2017 budget is the City's recent history of municipal property tax freezes that resulted in a steady reduction in the municipal tax rate.**



## Municipal Property Tax Levy:

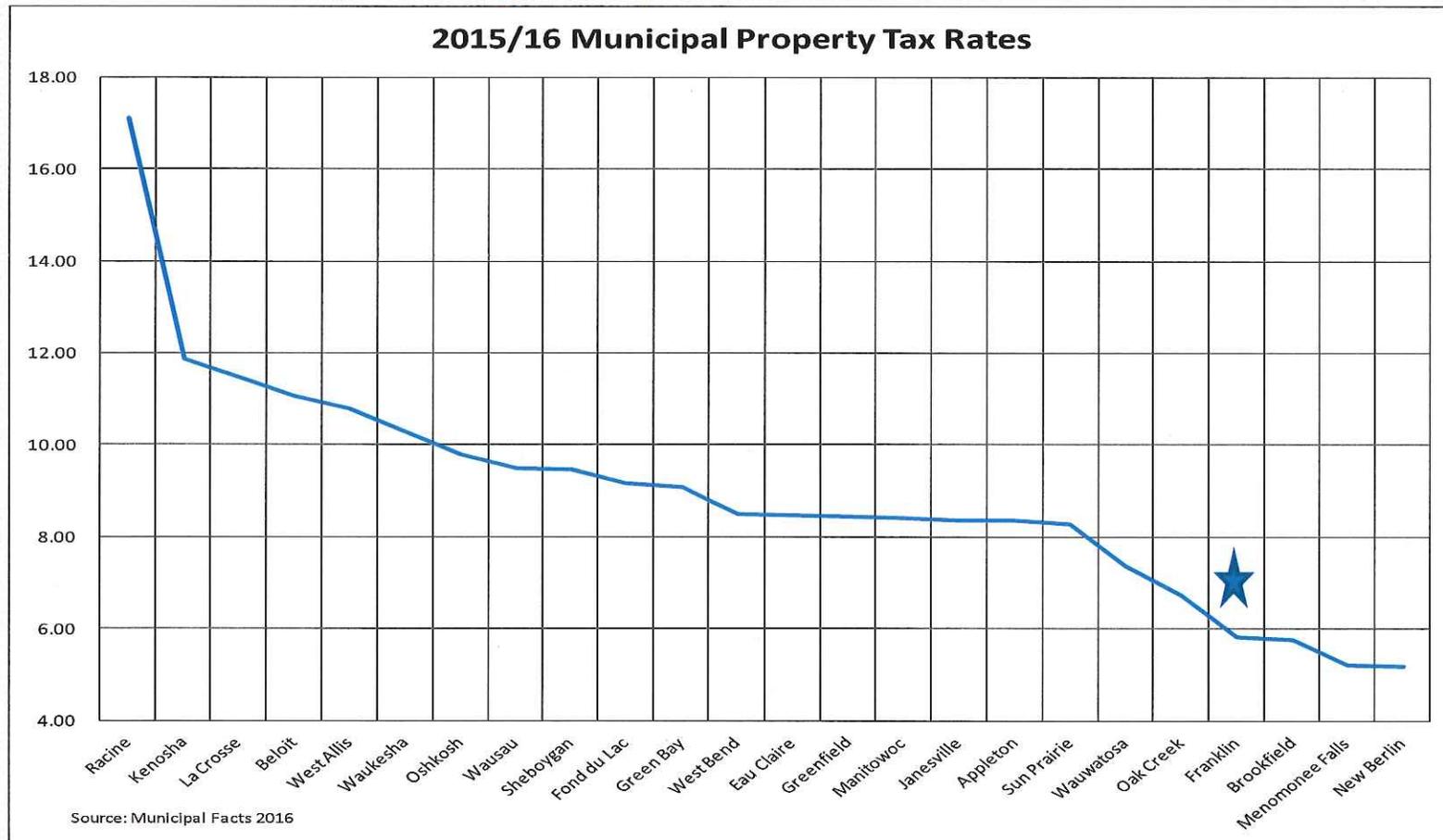
**The City last increased its total municipal property taxes in 2013.**

<b>Budget Year</b>	<b>Change From Prior Year</b>	<b>Allowable Increase</b>
<b>2013</b>	<b>\$42,000</b>	<b>\$128,942</b>
<b>2014</b>	<b>\$0</b>	<b>\$200,088</b>
<b>2015</b>	<b>\$0</b>	<b>\$280,973</b>
<b>2016</b>	<b>\$0</b>	<b>\$192,785</b>



# City of Franklin

The City has pursued this strategy while already in an enviable position relative to municipal property tax rates among its peer communities.



Wisconsin Taxpayers Alliance, based upon a category of 24 communities having between 30,000 and 150,000 individuals.



## Municipal Property Tax Levy: Historical Perspective

<b>Budget Year</b>	<b>Change From Prior Year</b>	<b>Budget Year</b>	<b>Change From Prior Year</b>
<b>2007</b>	<b>\$935,000</b>	<b>2013</b>	<b>\$42,000</b>
<b>2008</b>	<b>\$929,000</b>	<b>2014</b>	<b>\$0</b>
<b>2009</b>	<b>\$462,000</b>	<b>2015</b>	<b>\$0</b>
<b>2010</b>	<b>\$284,000</b>	<b>2016</b>	<b>\$0</b>
<b>2011</b>	<b>\$539,000</b>		



## **During the Period of limited Levy Growth**

**Franklin pursued initiatives that added...**

- > an Economic Development Director,**
- > an Information Technology Director,**
- > a new Light Equipment Operator and,**
- > in 2014 funded a vacant Police Officer position** (that had been unfunded for a number of years).

**Such a pattern of revenue constraint and operational expenditure growth, (even Franklin's very limited growth), is not sustainable in the long-term.**



**The proposed budget does recommend incorporating the new allowable property tax associated with new growth.**

**The allowable municipal property tax increase included is \$110,500.**

**Based upon a growth rate of .63%.**

**This amount was adjusted by the offset in the Public Fire Protection Fees resulting from water rate increases and rounded down from \$110,863. Prior to this required adjustment the total allowable amount is \$129,207.**



## **Property Tax Transfers Between Funds**

**A primary reason that the City has been able to continue to restrict or freeze property taxes is that the City has transferred property tax revenue from allocations supporting the Debt Service Fund to the General Fund and capital funds.**

**The Debt Service Fund relinquished \$250,000 in property tax revenue since 2013, after having given up \$460,000 between 2007 and 2012.**



## Property Tax Transfers Between Funds

**The Mayor's Recommended 2017 Budget does incorporate a continuation of this strategy and reduces property tax support to the Debt Service Fund by \$200,000.**

**The remaining level of property taxes in the Debt Service Fund is necessary to support the expenses of the fund, based upon outstanding and planned debt.**

**Therefore, after 2017, continued reliance by the General Fund on the transfer of property taxes out of the Debt Service Fund is not possible.**



## **Economic Development and TID 5**

**The Common Council has already approved a resolution for the creation of the TID, so the Mayor's Recommended 2017 budget incorporates the appropriations and expectations of TID 5's creation and implementation.**

- ❖ **TID 5 Fund**
- ❖ **Capital Improvement Projects and Borrowing**
- ❖ **Building Inspection Fees \$210,000 (approx.)**
- ❖ **Allocation of Econ. Dev. Director Wages (17.5%)**
- ❖ **Retain .3 FTE part-time Inspector**
- ❖ **Annual Administrative Services Cost Allocation**



## **Fund Balance Supported Activities**

**Ongoing operating costs should be supported by revenues that are also of an ongoing nature.**

**A one-time expenditure may be supported by a one-time revenue source.**

**As such, excess fund balance can appropriately be used to fund one-time expenditures.**



## **Fund Balance Supported Activities**

- ❖ **Anticipated Severance costs for likely retirements (\$103,900).**
- ❖ **A potential refund of an omitted manufacturing property tax payment (\$80,000).**
- ❖ **Unusual Building Maintenance Costs (\$68,000).**  
(Also, ongoing appropriation of \$20,100)
- ❖ **Economic Development Professional Fees (\$65,000).**  
(Also, ongoing appropriation of \$25,000)
- ❖ **Defined Benefit Pension Contribution (Next Slide).**
- ❖ **Senior Travel Program fund balance carryover (\$1,400)**
- ❖ **\$500,000 in Restricted Contingency.**



## **Defined Benefit Pension Contribution**

**The Annual Required Contribution (ARC) is the total amount the City pays to this pension fund, a significant component of which comes from an actuarially determined cost of funding costs for prior years of service that weren't fully funded at the time.**

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**Making a significant payment to buy-down the accrued liability (\$670,000 General Fund + Sewer & Water \$330,000)**

- **Reduces the annual operating expenses (General Fund approx. \$67,000, S&W \$33,000)**
- **Eliminates a 7.25% cost versus a 1% interest on fund balance.**
- **Reduces fund balance surplus to get within policy.**



## **Waste Management Landfill Siting Fees**

- **Continued Support of Capital Funds (Approx \$1 Mil.).**
- **General Fund Operating Support (\$50,000).**
- **Capital Improvement Fund capped at \$500,000.**
- **Capital Outlay Fund increase of (\$81,000).**
- **Anticipates 2016 repayment to Waste Management of incorrect overpayment (per Finance Committee).**



## Departmental Operating Expenses Since 2014

Change in budgeted, non-personnel, operating expenses support:

- Administration, I. S, Finance, and Auditor down nearly \$18,000 (3%).
- Municipal Buildings down over a \$15,000 (13%).
- The Police Department down over \$31,000,
  - But that number should be adjusted for the \$54,000 fund balance support in 2017 for one-time facilities maintenance projects.
  - With that considered, the reduction is over \$85,000 or nearly 7.5%.
- Building Inspection down \$8,830 (nearly 30%).
- Engineering, Highway, and Parks down by \$12,585.
- Fire Department up nearly an \$80,000 increase since 2014,
  - But almost \$55,000 of that is for contracted services that directly draw offsetting revenues.
  - Another \$14,000 is the fund balance supported building maintenance repair (see above).
  - The result is a modest \$10,000 (2.2%) increase for 2017 over the 4-year period.



## Departmental Operating Expenses Continued

To maintain municipal property tax levy freezes:

- Departments have generally experienced reductions in their operating expenses.
- Departments will have absorbed cost increases +5 yrs.

**Such a pattern is simply not sustainable if the City wishes to maintain current operations.**



## Anticipated Un-spent Appropriations

For 2017, the Anticipated Un-spent Appropriations have been left at the rate established by the Common Council within the 2016 budget: \$470,220.

Achieving these reductions becomes more difficult each year as the budget line items are tightened and natural growth doesn't occur.

As such, it is very possible that any further cuts in operating line items will simply result in falling short in meeting the necessary level of anticipated un-spent appropriations.



## **Additional Substantive Changes or Issues**

- **Revaluation**
- **State Shared Revenue and State Controlled Revenue Reductions. (Ex. Hotel/Motel -\$86,000)**
- **Health Insurance Fund**
  - **5% rate increase after frozen or reduced for 4 years.**
- **Wisconsin Retirement System +\$228,000.**
- **Personnel Changes:**
  - **Light Equipment Operator (2016 partial) was eliminated**
  - **Labor Contract/Market Adjustment - Increase of 2%**
  - **Mid-year adjustment for Non-reps**
  - **Health Dept: Coalition Coordinator (Grant Funded),  
Clinic Nurse/Sanitarian**
  - **Part-time Building Inspector Retained**



# Tax Levy and Tax Rate Implications

0.538% Levy Increase

	2016	2017	2016	2017
<b>City Tax Rate Components</b>	<b>Budget Tax Levy</b>	<b>Budget Tax Levy</b>	<b>Budget Tax Rate</b>	<b>Budget Tax Rate</b>
Capital Outlay	437,100	444,300	0.1325725	0.1233426
Equipment Replacement	342,600	348,300	0.1039106	0.0966919
Street Improvement	693,500	704,900	0.2103386	0.1956881
Debt Service	<u>1,500,000</u>	<u>1,300,000</u>	<u>0.4549502</u>	<u>0.3608944</u>
Subtotal	2,973,200	2,797,500	0.9017719	0.7766170
Library Program	1,287,000	1,296,600	0.3903473	0.3599506
General Fund Program	<u>16,248,800</u>	<u>16,525,400</u>	<u>4.9282631</u>	<u>4.5876346</u>
Total	20,509,000	20,619,500	6.2203824	5.7242023
Prior Year Levy	<u>(20,509,000)</u>	<u>(20,509,000)</u>	0.0357210	(0.0062434)
Increase in Tax Levy	-	110,500	6.2561034	5.7179589

Note: Table is based upon preliminary assessed valuations.

NOTE: RATE REDUCTION IS DUE TO REVALUATION.



## **FUNDS**

- **General Fund:**
  - Most of what was discussed so far
  
- **Solid Waste Fund**
  - No user fee rate increase
  
- **Sanitary Sewer Fund**
  - Most Retained Earnings were invested in the new building.
  - Expected rate increase of 5%, covers an MMSD rate of 2.5%.
    - (Comes back to Common Council in 2017 after MMSD rate change is known.)
  - Purchase of a \$240,000 camera and televising equipment.



## **FUNDS**

- **Capital Outlay Fund:**
  - Expenditures of \$738,868 of \$1.2 million requests.
  - 5-year annual plan spending of approximately \$560,000
  - Possible by fund balance, landfill siting fees, and not purchasing the video conferencing equipment in 2016.
  
- **Equipment Replacement Fund**
  - An ambulance, two Building Inspection vehicles, and three Highway vehicles.
  - Continues long-term underfunded position
  
- **Street Improvement Fund**
  - \$704,900 of Tax Levy support and \$133,000 of landfill siting.
  - \$940,000 expenditure funds first 6 of 11 requested projects.



## **FUNDS**

### ➤ **Capital Improvement Fund:**

- **Intended for larger development projects**
- **Major Project Areas**

#### **Primarily an Extension of Common Council Actions**

- **TID 5: \$10.9 million toward Baseball Commons projects and \$4.7 million in assessable utility and infrastructure projects related to Baseball Commons.**
- **City Hall Repairs and Remodel - \$1.8 million Roof and HVAC mandatory, siding and entrance redesign linked.**
- **Parks: Following the Impact Fee Extension.**
  - **\$4.9 million, of which \$2.9 are impact fees.**
- **Salt Shed \$400,000.**
- **W. Marquette Extension \$500,000.**
- **Emergency Vehicle Preemption \$102,800.**
- **Sewer and Water Projects: \$450,000 each.**
- **Water Utility projects and acquisitions: \$390,000.**



## **FUNDS**

- **Development Fund (Impact Fees)**
  - Designed to track capital project needs.
  - Increased revenues anticipated due to TID 5.
  
- **Debt Service Fund**
  - Property Tax Levy support is down \$200,000 to \$1.3 million.
  - Effectively constitutes the lowest property tax levy level allowable without levying a separate increase specifically to support debt.
  
- **Grant Funds**
  - Incorporates \$125,000 Coalition Grant with Health Dep't.



## FUNDS

### ➤ **Library Fund**

- **The Library is requesting expenditure funding of \$1,485,561, an increase of \$51,590 (3.6%) from the 2016 adopted budget.**
- **Property Tax Levy of \$1,296,600, (\$35,000 or about .75% up).**
- **Library has expressed concerns that the classification and compensation study implementation has impacted their operations more extensively.**
- **Given the years of freezing the levy, there was no second increase in levy to provide for this funding enhancement.**
- **The result is that the 2017 budget submitted by the Library, reflects a reduction in the fund balance of \$64,914.**
- **Third year in a row that the Library Fund operated at a deficit. With a projected end-of-2017 fund balance of under \$300,000, the net expenditure level is not sustainable.**



## CONCLUSION

**Mayor's Recommended 2017 Budget is creative in finding funding/methods to maintain operations.**

- **Buy-down of Pension accrued liability to reduce annual operating costs.**
- **Landfill Siting Fees:**
  - **Direct repayment of overpayment maintains annual revenue.**
  - **Application of fees to the General Fund.**
- **Appropriate one-time, fund balance supported expenses:**
  - **Such as the Building Maintenance plan, for phase in, and**
  - **Severance funding to retain productivity**
- **Historical Strategies:**
  - **Debt Service levy transfer**
  - **Restrained non-personnel operating expenses**
- **Prioritization (Ex: reprogram video conferencing funds)**



## **CONCLUSION** (Continued)

### **Mayor's Recommended 2017 Budget incorporated results of Common Council initiatives and actions:**

- **Did not incorporate prior year property tax levy dollars that the Common Council had previously declined.  
(New statute allows a community to go back 2 years)**
- **TID 5 and related impacts.**
- **Classification & Compensation Study for non-reps.**
- **Park Impact Fees and capital improvements.**
- **City Hall remodeling and repair capital improvement.**
- **Salt Funding per 2016 approval.**
- **Anticipated Under-expenditures per 2016 approval.**
- **Vacant and unfunded LEO position eliminated.**



## **CONCLUSION** (Continued)

- **“Balanced Budget” in the sense that maintains existing services with appropriate use of resources and fund balance.**
- **In recent years, however, the City has unilaterally implemented even stricter controls and has only levied new additional municipal property taxes of \$42,000 out of an allowable \$802,788 since 2013.  
(This amounts to just 5.23% of the allowable levy increase.)**



## **CONCLUSION** (Continued)

- **The constraint on the levy has been made possible through a variety of means, but those options are largely used up, as evidenced by the following:**
  - **The reduction in property tax support to the Debt Service Fund is the last amount that can be safely transferred.**
  - **A significant general reduction in departmental operating expenses has occurred across the board since 2014, so further cuts are not practicable without service reductions.**
  - **Since 2014, there has been a significant restriction on the ability to add staff and productivity; in fact, the partially funded DPW worker had to be eliminated.**
  - **Landfill Siting Revenues again applied to General Fund.**



## CONCLUSION (Continued)

- **“options are largely used up” (Continued):**
  - Anticipated Un-Spent Appropriations cannot reasonably be increased without anticipating a deficit.
  - Options to expand revenues are constrained.
  - Reassigning resources from other capital funds is not a realistic option given the long-term fiscal needs of each of those funds.

**The risky position in which the City has placed itself is that very little remains in the way of options if the City wishes to pursue any service enhancements.**



## **CONCLUSION** (Continued)

**More importantly and of much greater risk, simply maintaining current operations and core services after 2017 may exceed the ability of the City to fund or otherwise absorb the gradual, natural cost increases without re-evaluating a willingness to fund those services through property tax increases, including past allowable increases that were forgone.**



## Budget Calendar Approved by CC on 2/16/2016

Tuesday, September 20	Common Council Meeting Agenda Item: Presentation on overview of budget and major budget initiatives. Aldermen determine or identify additional materials or information needed for 10/3 budget discussions.
Wednesday September 21 To Monday, October 3	Aldermen may contact department heads with budget questions.
Monday, October 3	Committee of the Whole Agenda Item: Review of Mayor's Recommended Budget.
Tuesday, October 4	Alternate day for additional Committee of the Whole meeting and budget discussion in conjunction with regular Common Council meeting.
Friday, October 14	Last regular work day for budget changes to be included in the Public Hearing notice.
Monday, October 17 To Thursday, October 20	Preparation and Submission of Public Hearing Notice.
Tuesday, October 18	Regular Common Council Meeting, available for discussion of any budget topic as may be needed.
Thursday, October 27	Publication of Preliminary Budget and Hearing Notice.
Monday, October 31 & Tuesday, November 1	Regular Committee of the Whole & Common Council meetings available for discussion of any budget topics as may be needed.
Tuesday, November 15	Tuesday, November 15 Regular Common Council Meeting: Public Hearing on the Proposed Annual Budget AND Adoption of Annual Budget [Note: The late date does not provide opportunity for delay].



# Mayor's Recommended 2017 Budget

THE END.