



2017 Preliminary Budget Overview

MILTON CITY COUNCIL MEETING

OCTOBER 10, 2016

2017 Preliminary Budget



Budget Goals:

- Balanced Budget
- Stay within levy limits
- Qualify for expenditure restraint
- No reductions in service
- No new borrowing

Previous Budgets



	<u>2015</u> <u>Adopted</u>	<u>2016</u> <u>Adopted</u>
General Fund Expenditures	\$ 4,292,229	\$ 4,674,533
Percent Increase Over Previous Year	5.46%	8.90%
City Tax Rate	8.83	9.53

2017 Preliminary Budget



	<u>2016</u> <u>Adopted</u>	<u>2017</u> <u>Preliminary</u>
General Fund Expenditures	\$ 4,674,533	\$ 4,708,149
Percent Increase Over Previous Year	8.90%	0.72%
City Tax Rate	9.53	10.13

2017 Preliminary Budget



Contributing Factors to the 2017 Budget Construction:

- Equalized Value Drop
 - Approximate \$20 million in the City's overall equalized value
- Expenditure Restraint
 - In order to qualify for an estimated \$100k+ state aid payment for 2018 budget, the 2017 budget cannot increase expenditures by more than \$56k
- Tax Rate
 - Developing a budget that maintains services as affordable as possible (can vs. should)

2017 Preliminary Budget



Equalized Value Drop:

- The City of Milton has experienced a decrease in its overall equalized value of over \$20 million.
 - This decrease is largely a result of an overstatement of value in 2016:
 - Budget 2016's tax base was overstated
 - Budget 2017's tax base is artificially understated by DOR
 - Budget 2018's tax base should be corrected
- This drop in equalized value directly effects the City's tax rate

2017 Preliminary Budget



Levy Limits:

- Levy Limits provide the maximum amount a town, village, city and county may implement as a property tax levy on parcels within their boundaries.
- Under the 2015-2017 state budget, 2015 Wisconsin Act 55, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction. If no new construction occurred in your community, then your allowable levy increase is zero percent.
 - Adjustments for qualifying items can also add to the levy.

The preliminary budget is under the levy by \$85,782.

2017 Preliminary Budget



Expenditure Restraint:

- Expenditure Restraint is a separate “cap” imposed by the State that only allows a municipality to increase its levied expenditures by a certain percentage annually.
- If the municipality stays below the “cap” it will receive additional State aid the following budget year.
 - 2015 actual “bonus” was \$77,000
 - 2016 actual “bonus” was \$95,000
 - 2017 estimated “bonus” is \$115,000

2017 Preliminary Budget



Expenditure Restraint (con't):

- To qualify for a 2018 ERP payment, both must apply:
 - The municipal-only 2015 property tax rate must exceed 5 mills
 - According to DOR records, 479 municipalities have a 2015 tax rate above 5 mills
 - **Note:** This excludes TIF district value and tax increments
 - Staff is estimating that the amount of all 2017 budgeted expenditures except debt service can increase by no more than 1.50% (approx. \$56,723). The actual amount will be known by late October
- The budget as shown is \$12,893 over the allowable limit

2017 Preliminary Budget



What this all means....

In the City's 2017 preliminary budget:

- Will not “levy” to the max (\$85,782 less than allowable)
- The City can only increase expenditures by the estimated \$56,723 in order to qualify for ERP
- As presented on October 10, 2016, the City will still need to reduce expenditures by \$12,893 in order to qualify for ERP

2017 Preliminary Budget



What will the impact be....

In the City's 2017 preliminary budget:

- The City will be levying less tax dollars in 2017 budget than in 2016 (\$26,900 less)
- However, due to the decrease in equalized value, the 2016 tax rate (2017 budget) still represents a 6.18% tax rate increase over 2015 tax rate (2016 budget).
 - This is due largely to the decrease in equalized value.

2017 Budget Construction



2016 Budget TAX LEVY:	\$ 3,140,725
Non-property tax revenue:	\$ 60,516
Tax levy revenue:	\$ (26,900)
Employee relations:	\$ 30,206
Required increases / decreases:	\$ (13,078)
Operational changes:	\$ 14,741
Non-profit requests:	<u>\$ 1,747</u>
PRELIMINARY 2017 Budget TAX LEVY	<u><u>\$ 3,116,225</u></u>

Non-property Tax Revenue



PILOT from water utility	\$	15,000
Shared revenues	\$	(1,789)
Expenditure Restraint payment (State Aid)	\$	19,435
TID administration charges	\$	36,104
Investment income	\$	4,200
Transfer from sidewalk fund	\$	(12,500)
Other	\$	66
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	\$	60,516



Required Increases/Decreases Expenses

Increase in WRS rates	\$	12,724
Legal services & Legal contingency	\$	7,200
Assesor services (estimated)	\$	29,000
Step increases for PD union staff	\$	1,602
Debt service	\$	(36,000)
Payback to sewer fund for capital leases	\$	<u>(27,604)</u>
	\$	(13,078)

Employee Relations



All Employee 1% Wage Adjustment	\$	17,919
Increase in City portion of Health Insurance	\$	4,941
Add'tl 3% wage adjustment for Lieutenants	\$	4,870
Wage adjustment for Municipal Judge	\$	<u>2,476</u>
	\$	30,206

Operational Changes



Library allocation	\$	18,633
Police overtime	\$	15,000
Part-time police officers	\$	(9,517)
Elections	\$	(4,500)
Fire Department allocation	\$	35,260
Contingency	\$	(14,711)
Roadway supplies (asphalt, etc.)	\$	(29,050)
Retiree health insurance	\$	(7,650)
City Hall training/conferences	\$	(2,500)
Capital budget increase	\$	8,000
Other	\$	<u>5,776</u>
	\$	14,741

Library Allocation



Wage & benefit adjustment due to		
Federal law change	\$	10,307
Changes in insurance plans	\$	4,800
Other labor (WRS, 1%, insurance, etc)	\$	4,646
More time to clean building	\$	10,140
Computer services	\$	4,350
Budget year 2016 use of fund balance	\$	7,950
Building expenses (utilities, maintenance, etc.)	\$	(12,300)
Use of Library fund balance	\$	(10,000)
County aid	\$	<u>(1,260)</u>
	\$	18,633



Fire Department

Funds RW Consulting for all of 2017 (\$48,000)

Funds \$24,110 “building” payment to City

Assumes \$280,000 in billing service collections

- City Allocation for operations = \$260,511
- City Allocation for capital = \$68,000

2017 Capital Requests



Remaining amount for squad car	\$	29,500
Tree replacement	\$	8,000
One ton dump truck	\$	55,000
Upgraded used bucket truck	\$	36,000
Use of 2016 funds	\$	(21,000)
Barricade Trailer	\$	6,000
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	\$	113,500

2017 Eliminated Capital Requests



Furnance replacement on PD side	\$	15,000
New Squad car	\$	40,000
5 year lease on Plow Truck	\$	32,000
Bucket Truck	\$	60,000
Tool Cat	\$	30,000
1/2 of Pickup truck with front plow & salter	\$	21,000
Brush Chipper	\$	35,000
Equipment Trailer	\$	<u>14,000</u>
	\$	247,000

Preliminary Budget Impact



	<u>Actual</u> <u>2016</u>	<u>ESTIMATED</u> <u>2017</u>	<u>ESTIMATED</u> <u>Change</u>	<u>ESTIMATED</u> <u>% Increase</u>
Assessed Value	\$ 329,256,994	\$ 307,479,300	\$(21,777,694)	(6.61)%
Tax Rate / \$1,000				
Property Value	\$ 9.54	\$10.13	\$ 0.59	6.18%
Impact on \$100,000				
Assessed Value	\$ 954.00	\$1,013.00	\$59.00	6.18%



Wheel Tax

- Does not effect expenditure restraint calculation
- Does not impact future borrowing
- Needed because City is be paying for road repairs done in 2007 – 2009 until 2026 (20 year repayment on 2007 bonds)
- Every \$10 in a wheel tax brings in \$55k



Wheel Tax

\$30 Wheel Tax = \$165,000

- Potential projects
 - Mill and overlay one road annually
 - Sealcoat several street
- Extend the life of roads that are in fair condition
- Budget as shown still has \$25,000 in small roadway repairs and pot holes



Budget Unknowns

- Police Labor Negotiations (approximately \$18,625+ increase)
- Assessor services are estimated
 - Must wait until contract amount is known in mid-November
- Assessment Ratio is unknown (impacts assessed value for calculating tax rate)
 - This will be known in mid/late November
- Health Insurance continues to be evaluated to see if any alternate plans or providers can reduce the city and employee's costs
- Property and Works Compensation insurance rates
- If wheel tax is not authorized, there is not sufficient funding to maintain the City roads. The long-term risk is that future repairs will be exponentially (2-6x) higher than regular maintenance



Budget Takeaways

- This budget represents a continuation of services from previous years.
 - No staff reductions, no service reductions.
- This budget has no borrowing component.
 - Currently 27.5¢ of every City Tax Dollar collected goes to debt service.
- Employees will pay for a majority of the increase in health insurance costs
- The budget as shown does not allow for City to qualify for expenditure restraint. The budget will change as more estimates become clearer. The final budget will qualify the City for expenditure restraint in 2018. Must reduce expenses by \$12,893.

2017 Preliminary Budget



Budget Goals:

- ✓ Balanced Budget
- ✓ Stay within levy limits
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- ✓ No new borrowing



Possible Cuts

Non-Profit Allocations	\$	27,211
Community Alert Program (Code Red)	\$	1,700
Municipal Judge Wage Increase	\$	2,476
Employee 1% Wage Increase	\$	17,919
Tourism Budget	\$	1,240
Reduction in Fire Department Consult	\$	12,000
	\$	<u>62,546</u>

Budget Schedule



Approve

Budget

Publication

18-Oct

Publish

Budget

26-Oct

Public

Hearing

15-Nov

Approve

Budget

29-Nov