



Meeting: Village Board
Meeting Date: July 8, 2013
Agenda Item: 5d

Mission Statement

Provide residents with safe, friendly, attractive and active community by fearlessly pursuing innovative ways to deliver valuable services.

VILLAGE BOARD MEETING STAFF REPORT

REPORT TO: Burt R. McIntyre, President
Village Board of Trustees

REPORT FROM: Chris Haltom, Director of Administrative Services

AGENDA ITEM: Budget Overview Presentation

ACTION REQUESTED: Ordinance Resolution Motion Receive/File/Discuss

General Fund

Earlier in 2013, the Village Board requested staff begin the 2014 budget process sooner than the timeframe used in preparing the 2013 budget. Administrator Evert created a new calendar by which staff would process the 2014 budget. Included in the calendar was a scheduled 2014 budget overview for July 8. This overview will point out several of the obstacles, opportunities and known issues that will be part of the 2014 budget process. Not all of the revenue and expenditure accounts have been updated for the 2014 budget. This report will highlight the known and estimated changes in 2014.

Annually, the state provides the village with estimated state aids payments for the upcoming year. State aids make up approximately 20% of revenues in the General Fund. Staff does not anticipate receiving these estimates until September at the earliest or November, at the latest. Based on items approved in the state's biennial budget for 2013-2015, staff anticipates no changes in the funding levels of most state aids. The state budget did include a small increase in state transportation aids. Staff does not anticipate any increase for the village since the funding formula is based on average spending of road costs over a six-year period. I've been working with staff of the state to obtain data related to the transportation aids in order to determine an estimated change for 2014. At the time of printing this report, I have not yet received all of the data for projecting the 2014 change in transportation aids.

Other revenue sources are anticipated to remain flat for 2014 until more experience is obtained from data in 2013 that may suggest otherwise, except for rental income which is estimating \$7,900 of more revenue from existing contracts in 2014.

For 2014 expenditures, the village has three major contracted services that typically see increases from year to year. The contracts, along with their anticipated or known 2014 increase or (decreases), are as follows:

Police services (Brown County Sheriff)	\$25,700
County rescue	(2,200)
Garbage and recycling (negotiating a new contract-estimated 3% incr)	<u>16,300</u>
Total	\$39,800

Other typical annual increases in General Fund expenditures come in the form of higher compensation for employees and higher employee benefits. The combination of the cost of contracted services (41%) and wages and benefits (36%) comprise 77% of the total General Fund annual expenditures. Other expenditures include utilities and phones (8%), repairs & fuel (6%), supplies and other (5%), garbage tonnage (3%) and liability insurance (1%).

Since the two village union contracts will be expiring on 12/31/13, the employees of the two unions will need to begin to make contributions to Wisconsin Retirement System (WRS) and could also pay more for health insurance premiums. The WRS rate will be increasing from 6.65% in 2013 (for both employer and employee contributions) to 7.0% in 2014. Estimated village savings for the union employees paying their share of WRS is \$84,000 for all funds of the village; the General Fund's share is estimated to be \$63,100.

I will be preparing the 2014 budget with a zero increase to the village share of health insurance premiums allowing the employees to pay for any cost increases for this benefit or for changing the plan to allow for no cost increases to the village. Staff has begun the process of identifying health insurance providers for 2014 should the current contract with Central States not be maintained and for comparative purposes. This process will take several months to complete as the village will utilize the services of a consultant to locate insurance companies that can provide this service at reasonable rates. Changes to the health insurance plan will also be investigated (i.e. higher deductible plans, HSAs). Quotes for health insurance premiums are usually only good for up to six months so the work could not begin until now. The current Central States plan is good through April 1, 2014, provided one of the two unions certify their membership after 12/31/13. If the village stays with Central States for 2014 and allows employees to pay their share of any cost increases, employees would be contributing another \$34,000 in 2014 (in all village funds). The village's cost would remain the same in 2014 but the 10% estimated increase would be absorbed by employee premiums.

Right now for 2014 estimating, the cost changes for compensation (assuming a 2% overall increase in compensation and remaining on the existing Salary Schedule for non-union employees) would result in an increase of approximately \$84,000 in all funds of the village. The General Fund is estimating a salary increase of \$40,800. The results of the compensation study yet to be completed by PAA will probably result in a different actual change to overall compensation. Some estimate had to be used to obtain compensation for budgeting, so the 2% cost of living increase and the existing non-union salary schedule are being used.

Capital Project Funds

The village has been funding capital projects with annual cash collections (through tax levy, intergovernmental revenues, impact fees and other revenues) since 1994. The challenge in the capital project funds is keeping up with infrastructure replacements in a timely manner; mainly, road replacement or street resurfacing projects. In 2013, the village set aside \$963,600 in tax levies for all capital project funds; \$695,600 of that amount was for roadway projects and \$268,000 was for equipment replacement. The budgets have maintained equipment replacement at a sufficient pace to keep up with equipment needs; however, no building replacement funds have been set aside for major repairs, demolitions or additions to existing facilities (with the exception of Park Impact Fee Fund identifying a soccer concession building in 2014 and 2015).

For purposes of the attached estimates, the total tax levy in the capital project funds is showing an increase of \$80,000. Street resurfacing levy amount would need to more than double in order to allow for resurfacing of all roadways in a 25-30 year replacement cycle.

Expected Tax Levy Increases in 2014

The growth that occurred in the village during 2012 will affect the allowable tax levy limit in 2014. Another item affecting the tax levy is factoring in TID valuations and levies. TID levies are added on top of the village and other overlying taxing jurisdiction levies prior to calculating the tax rate. The village does not obtain the TID values from the state until September. Based on the overall growth alone in 2012 (estimated at just over \$26 million in assessed value), the village could increase the tax levy by approximately \$90,000 in the 2014 budget; however, caution should be used as TID levies and valuations can easily change this amount.

The village should obtain the assessed values for manufacturing properties from the state later in 2013. Typically, these amounts are reported to the village by September 15 but several times in recent years the amount was reported closer to the end of October. The state assessors determine assessed values on manufacturing properties, by state law. The village has obtained the full value assessments for manufacturing properties but need the equated amounts for the tax roll. The manufacturing assessment total is the final piece of information needed to derive the total assessed value of the village. Total assessed value is used in calculating the tax rate.

Another component of the tax rate is the equalized value of the entire village and the equalized values of each TID. These amounts are used in calculating the TID levies for adding on top of the village's levy (and the other overlying taxing jurisdiction levies) in order to determine the total tax rate. The village typically receives the equalized values in early September.

The final item needed to derive the state allowable tax levy increase is the Tax Levy Worksheet. This worksheet is typically made available by the state in September.

Items Not Yet Adjusted or Reviewed

The Summary Budget located as the first attachment to this report, does not include any changes for fuel costs, utilities (electric, gas, water/sewer) or phones, or liability insurance. These items will be reviewed later in the year and projections for 2014 will be made based on historical trends and information obtained from utility companies. Currently, there is not enough information available to make an estimate for 2014. These amounts could also remain frozen for 2014.

Enterprise Funds

The village's four enterprise funds are self-supporting and are not necessarily governed by the budget process in establishing their rate structure. The budgets for the enterprise funds will not be reviewed until the very end of the budget cycle in 2013. A rate increase will be needed in 2013 for the sewer utility.

Restriction on New Fees

The state budget passed a new measure that requires a municipality to reduce the allowable levy by any amount used to create new fees for garbage collection, fire protection, snow plowing, street sweeping or storm water management if the services were funded by the 2013 tax levy. Since the village established a storm water utility prior to 2013 and also created a fire protection fee prior to 2013, both of these items would be excluded from this change. Fire protection fees could be increased for new businesses or for any service not covered in the 2013 budget. Storm water fees are not included in the general tax levy at all, so changes in that fee are not affected by the new budget.

The village could not create new fees for garbage collection, snow plowing or street sweeping unless the tax levy is reduced by the amount equal to an estimate of the total new fee(s). (Please see the Attachment II, a copy of an email between Curt Witynski of the League and Administrator Paul Evert for actual language used in the approved state budget.) The village could eliminate services (if the service is not mandated by state or federal law), such as special garbage pickup, but could not begin to charge a new fee without reducing the levy for the estimated revenue collections from the new fee.

Attachment I to this report is the Summary Budget page from the annual budget document. The page reflects the changes discussed in this report and are being reported as preliminary numbers.

The next step in the 2014 budget process is dealing with Personnel Policy changes (this will be completed after the Compensation Study by PAA). In August, the board will begin discussions on capital projects for 2014. The full budget document should be ready for board review and discussions in September.

ATTACHMENTS

- I. Preliminary Summary Budget Document
- II. Email between Administrator Evert and Curt Witynski

Chris Haltom

From: Curt Witynski <witynski@lwm-info.org>
Sent: Tuesday, July 02, 2013 10:45 AM
To: Paul F. Evert
Cc: Chris Haltom
Subject: RE: Fee limits

Paul: The state budget, Act 20, creates the following provision on treatment of fees under levy limits:

SECTION 1271p. 66.0602 (2m) (b) of the statutes is created to read:

66.0602 (2m) (b) 1. In this paragraph, "covered service"

means garbage collection, fire protection, snow plowing, street sweeping, or storm water management.

2. Except as provided in subd. 4., if a political subdivision receives revenues that are designated to pay for a covered service that was funded in 2013 by the levy of the political subdivision, the political subdivision shall reduce its levy limit in the current year by an amount equal to the estimated amount of fee revenue collected for providing the covered service, less any previous reductions made under this subdivision.

I don't think future increases in storm water utility rates must be offset by a reduction in the allowable levy. If your community had such a utility prior to 2013, then there is no modification to levy limits necessary. The new provision really only focuses on converting from the levy to a fee to pay for a service in the first instance.

Curt Witynski
Assistant Director
League of Wisconsin Municipalities
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Madison, WI 53703

(608) 267-2380

-----Original Message-----

From: Paul F. Evert [<mailto:pfevert@villageofhoward.com>]
Sent: Tuesday, July 02, 2013 9:24 AM
To: Curt Witynski
Cc: Chris Haltom
Subject: Fee limits

Curt,

Can you point me to the fee restriction in the budget bill? If what I found is correct it is limited to garbage, fire protection, street sweeping and storm water management.

I assume that any future increases in a storm water rates have to be offset against the levy? Is it possible to rush an increase in before the effective date of the budget?

Thanks

Paul