



CITY OF MIDDLETON

2022 Budget Presentation

Special Council Meeting

November 3, 2021

Budget Presentation Outline

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- Financial Strengths & Challenges
- Recommended Budget Summary
- Potential Budget Amendments
- Property Tax Projections
- Future Projections & Strategies
- Next Steps

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Financial Strengths & Challenges

Financial Strengths

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- Healthy Fund Balance Levels
 - ▣ GF unassigned at 27.8% of next year budget in 2020
 - ▣ Assigned FB for sick accrual & public safety reserves
- Available Debt Capacity
 - ▣ City has only used 18.4% of legal GO debt limit
 - ▣ Below targets in Debt Management Policy
- TID 3 Subtraction (2020)
 - ▣ Returned \$130 million to the general tax base
 - ▣ Levy limit adjustment of \$286,011 for 2022 budget

Financial Challenges

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- Levy Limits
 - ▣ No inflation factor
 - ▣ Net New Construction at 1.8% for 2022 budget
- Reductions in State Aids
 - ▣ Shared Revenue, Expenditure Restraint, & Transportation Aids decreasing by \$141,209 in 2022 (8.2%)
- TID Cost Recovery Phase Out
 - ▣ Need to phase-out \$1,026,530 by 2026
- COVID-19 Impact on Room Taxes
 - ▣ Even with an estimated increase of \$75,000 in 2022 the General Fund share is \$125,000 below pre-COVID level

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Recommended Budget Summary

2022 Published Budget: All Funds

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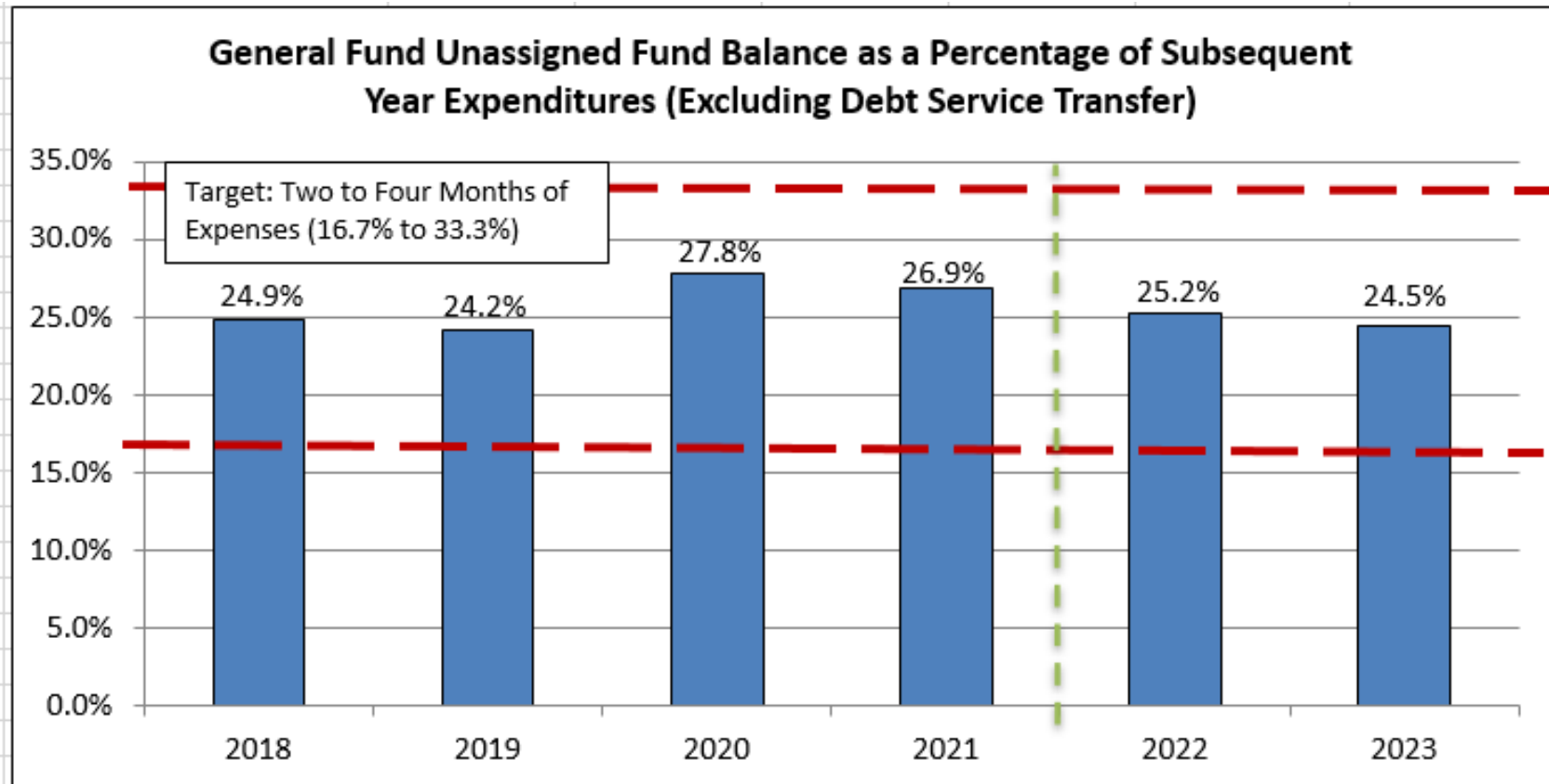
Fund	Revenues	Expenditures	Tax Levy
General Fund	\$22,716,895	\$22,966,895	\$14,041,045
Special Revenue Funds	\$5,146,774	\$5,322,443	\$0
Risk Management Fund	\$436,085	\$473,738	\$0
Community Development Authority	\$91,888	\$104,142	\$0
Capital Projects Funds (Non-TIF)	\$4,025,246	\$4,025,246	\$0
TIF Districts	\$14,040,618	\$16,253,618	\$0
Debt Service Fund	\$5,465,000	\$5,671,547	\$5,250,000
Water Utility	\$3,475,152	\$4,397,315	\$0
Sewer Utility	\$3,503,225	\$4,367,310	\$0
Golf Course	\$3,365,298	\$2,570,724	\$0
Other Enterprise Funds	\$1,584,339	\$568,102	\$0
TOTAL	\$63,850,520	\$66,721,090	\$19,291,045

2022 General Fund Budget

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Revenues & Sources of Funds	Requested	Recommended
Operating Revenues	\$21,789,372	\$21,891,915
Budgeted Use of Fund Balance	\$825,000	\$825,000
Total Sources of Funds	\$22,614,372	\$22,716,915
Expenditures & Uses of Funds	Requested	Recommended
Operating Expenditures	\$22,906,252	22,141,915
Emergency Contingency	\$500,000	\$500,000
Assigned Fund Balance: Sick Accrual	\$250,000	\$250,000
Assigned Fund Balance: Revaluation	\$75,000	\$75,000
Total Uses of Funds	\$23,731,252	\$22,966,915
Surplus (Deficit)	(\$1,116,880)	(\$250,000)

Fund Balance Projections



	2018	2019	2020	2021	2022	2023
Unassigned Fund Balance	\$ 5,310,690	\$ 4,834,398	\$ 6,220,424	\$ 6,029,570	\$ 5,779,570	\$ 5,779,570
Next Year Budgeted Expenditure	21,343,221	19,995,126	22,351,056	22,442,136	22,929,713	23,617,604
Percent of Next Year Budget	24.9%	24.2%	27.8%	26.9%	25.2%	24.5%

Recommended Budget Highlights

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- Only new position part-time CDA downtown events
- COLA 2% Non-Union
- Personnel Contingency for WPPA negotiations and market adjustments/longevity transition
- Health insurance rates – 4.9% decrease
- Dental insurance rates – no change
- General Fund Notes
 - ▣ \$250,000 Planned Use of Unassigned Fund Balance
 - ▣ \$325,000 Planned Use of Assigned Fund Balance (Sick Accrual HRA \$250,000, Revaluation \$75,000)
 - ▣ \$50,000 General Contingency
 - ▣ \$120,000 Personnel Contingency

General Fund Revenues



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Budget Item	Requested Budget	Recommended Budget	Change from Requested
Property Tax Levy Increase	\$554,559	\$675,259	\$120,700
Shared Revenue Aid Change	0	(2,254)	(2,254)
Expenditure Restraint Aid Change	0	(35,034)	(35,034)
Exempt Personal Property Aid Change	0	(17,583)	(17,583)
General Transportation Aids	25,685	(108,429)	(134,114)
Fire 2% Dues Aid Change	15,466	22,232	6,766
Ambulance Billing Revenue Change	(10,174)	21,622	31,796
EMS Township Cost Sharing Change	12,030	4,768	(7,262)
TID Cost Recovery	(426,530)	(301,530)	125,000
Utilities Cost Allocation Change	0	3,000	3,000
CVMIC Risk Mgmt. Grant Applied	0	7,000	7,000
TOTAL CHANGE FROM REQUESTED BUDGET			\$98,015

General Fund Personnel Items



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Personnel Decision Items	Requested Budget	Recommended Budget	Change from Requested
Two additional police officers	\$192,383	\$0	(\$192,383)
Additional dispatcher	80,455	0	(80,455)
New stormwater manager	93,373	0	(93,373)
Increase PW Admin Asst. 0.75 to 1.00	13,789	0	(13,789)
Engineering Intern	8,397	0	(8,397)
Part-Time Admin/Communications Asst.	5,383	0	(5,383)
Health insurance costs (GF & YC)	79,800	(79,800)	(159,600)
Personnel Contingency	75,000	120,000	45,000
TOTAL CHANGE FROM REQUESTED BUDGET			(\$508,380)

General Fund Operating Items



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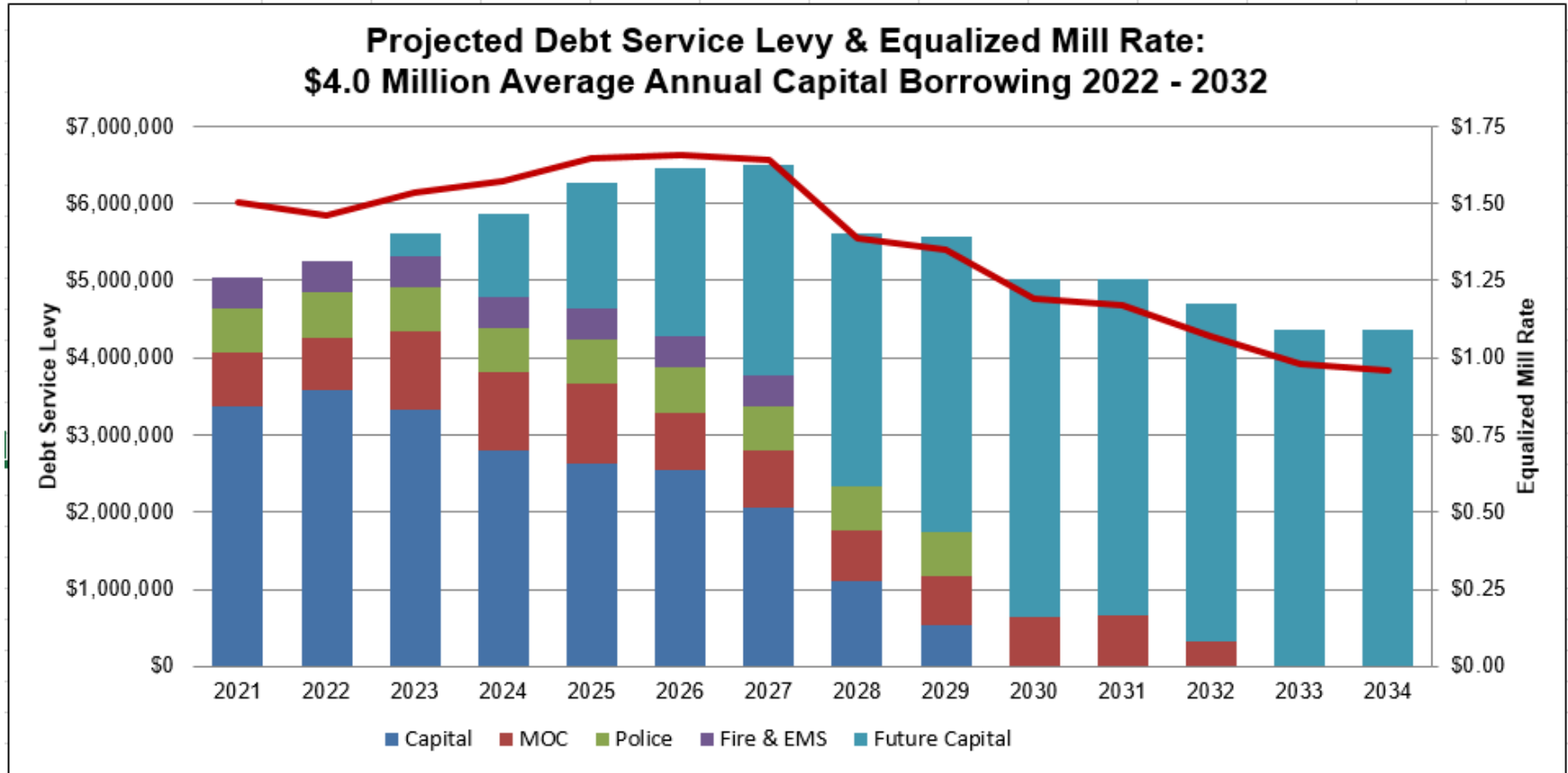
Operating Decision Items	Requested Budget	Recommended Budget	Change from Requested
Market Value vs External Revaluation	\$200,000	\$75,000	(\$125,000)
Comm. Svcs. Motor, Fuel & Lube	5,000	2,000	(3,000)
Fire District Operating Contribution	27,244	34,030	6,786
Snow & Ice Removal Downtown	19,000	0	(19,000)
Contribution to MPO	7,381	2,465	(4,916)
Cons. Lands: Invasive Species Control	5,000	0	(5,000)
Forestry: Gypsy Moth Control	15,000	0	(15,000)
Transfer to Youth Center	8,923	8,096	(827)
General Contingency Increase	50,000	0	(50,000)
Risk Management Fund Change	0	(40,000)	(40,000)
TOTAL CHANGE FROM REQUESTED BUDGET			(\$255,957)

General Capital Borrowing Scenario

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	2021 Actual	2022 Requested	2022 Recommended
Street Projects	\$1,928,000	\$2,765,000	\$2,270,000
Vehicle Replacement	\$500,000	\$500,000	\$500,000
Admin/IT/Planning/ Bldg. Insp/Library	\$527,190	\$1,924,000	\$204,000
Police & EMS	\$291,632	\$293,000	\$293,000
Other Public Works & Water Resources	\$229,048	\$511,246	\$400,246
Parks, Rec, Forestry /Conservancy Lands,	\$274,130	\$483,000	\$333,000
Ped/Bike Improvements	\$0	\$396,990	\$0
Total Borrowing	\$3,750,000	\$6,873,236	\$4,000,246

Debt Service Projection



Budget Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Debt Service Levy	\$5.05 M	\$5.25 M	\$5.62 M	\$5.87 M	\$6.27 M	\$6.45 M	\$6.5 M	\$5.61 M	\$5.56 M	\$5.02 M	\$5.02 M	\$4.69 M
Debt Service Mill Rate	\$ 1.50	\$ 1.46	\$ 1.53	\$ 1.57	\$ 1.64	\$ 1.66	\$ 1.64	\$ 1.39	\$ 1.35	\$ 1.19	\$ 1.17	\$ 1.07

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Proposed Budget Adjustments

Proposed Revenue Adjustments

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General Fund

Item	Change	New Amount	Description
MCPASD SRO Payment	\$27,950	\$93,257	Re-estimate for full school year
County Aid – Seniors	\$8,219	\$82,175	Dane County funding increase
Public Works Charges	(\$3,000)	\$0	Remove MBR Leaf Collection
TOTAL	\$33,169		

Other Funds

Item	Change	New Amount	Description
Water Utility Rates	\$56,764	\$430,790	Projection from PSC rate case
Sewer Utility Rates	TBD	TBD	Pass-through of MMSD rates
TOTAL	\$56,764		

Proposed Expenditure Adjustments

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General Fund	Item	Change	New Amount	Description
	Health Insurance	\$16,669	\$1,390,124	Final rates & est. benefit levels
	Tree & Brush Services	(\$3,000)	\$0	Remove MBR Leaf Collection
	Personnel Contingency	\$19,500	\$139,500	Market adj. & health open enroll
	TOTAL GENERAL FUND	\$33,169		

Other Funds	Item	Change	New Amount	Description
	Tourism Marketing Pilch	(\$27,000)	\$0	Contract not renewed
	Utility Health Insurance	(\$10,874)	\$0	Final rates & est. benefit levels
	Utility Pers. Contingency	\$10,874	\$10,874	Market adj. & health open enroll
	Utility Acct Labor & OT	\$22,000	\$62,404	Adjust per PSC rate case info
	PVGC FICA	\$9,610	\$75,498	Adjust per final wages
	TOTAL OTHER FUNDS	\$4,610		

Proposed ARPA Projects

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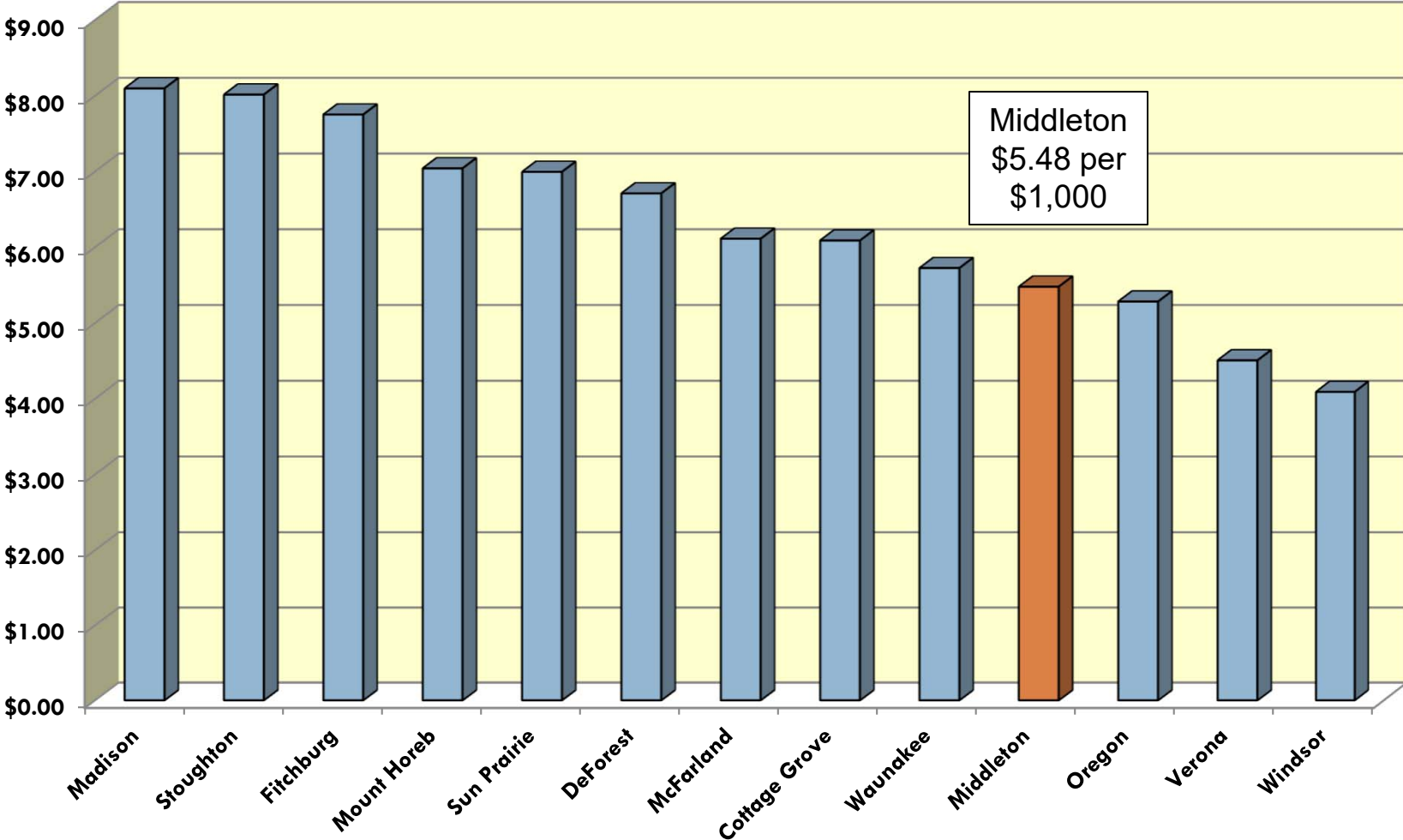
	2021	2022	2023	2024	TOTAL
Housing & Food Stability (MOM)	\$0	\$20,000	\$20,000	\$20,000	\$60,000
Housing Assistance for Seniors		10,000	10,000	10,000	30,000
Housing Grants People of Color		15,000	15,000	15,000	45,000
Mental Health First Aid Training		12,000			12,000
Youth Summer Camp Program	3,500	5,000	5,000	5,000	18,500
Energy Efficiency/Solar in NOAH		150,000	150,000	150,000	450,000
Misty Valley Stormwater Improvements		45,000	400,000		445,000
Hidden Oaks Stormwater Improvements		45,000	300,000		345,000
Solar Arrays Wells #6 & #8		240,000			240,000
Council Chambers Meeting Room Tech.		25,000			25,000
Aquatic Center Improvements		150,000	150,000		300,000
Grant Eligibility Evaluation & Auditing	4,000	10,500	10,500	10,500	35,500
Youth Center Part-Time Position Support		20,000	20,000	20,000	60,000
Placeholder: Public Safety Compensation		75,930			75,930
TOTAL	\$7,500	\$808,430	\$1,065,500	\$215,500	\$2,096,930

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Property Tax Projections

Tax Rate Comparison

2020 Tax Year / 2021 Budget Year Equalized Tax Rates



Property Tax Levy Limit

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Levy Limit Formula

- Levy growth limited to increase in net new construction (1.836%) & TID 3 Subtraction Adjustment (2.141%)
- No inflation factor
- Debt service exclusion & abated debt adjustment

Prior Year Total Levy	\$18,412,712
Less Adjustments for PY PP Aid & Debt Service	(\$5,053,956)
Prior Year Adjusted Levy	\$13,358,756
Allowable % Change	3.977%
Allowable \$ Change	\$531,278
Plus Debt Service Adjustment	\$5,520,700
Minus Exempt PP Aid	(\$119,689)
Total Allowable Levy	\$19,291,045
Recommended Levy	\$19,291,045
Amount Under Limit	\$0

Property Tax Projections

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	2021 / 2022 Tax Year	Change from Prior Year
General Fund Levy (Non-Debt Service)	\$14,041,045	5.1%
Debt Service Levy	\$5,250,000	1.5%
Total Property Tax Levy	\$19,291,045	4.8%
Equalized Tax Rate	\$5.37 per \$1,000	- 1.9%
Est. Assessed Tax Rate*	\$6.29 per \$1,000	2.0%

* Estimated Mill Rate, manufacturing assessments not yet finalized

2021 / 2022 Property Tax Projections

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	Prior Year	Current Year	Dollar Change	Percent Change
Average Single-Family Assessment	\$403,850	\$403,850	\$0	0.0%
Assessed Mill Rate	\$6.17 per \$1,000	\$6.29 per \$1,000	\$0.12	2.0%
City Tax Average Single-Family Home	\$2,488	\$2,538	\$50	2.0%

- 2021 was not a revaluation year, most assessments did not change
- Total equalized value increased by 4.6% while total assessed value is only projected to increase by 0.5%
- Equalized values were determined as of January 1, 2021
- Most new construction was in TIF districts

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Future Projections & Strategies

General Fund 5-Year Projection Base (2022-2025 Net New Construction = 2.5%)

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(Numbers shown in thousands)	2022 Budget	2023 Projected	2024 Projected	2025 Projected	2026 Projected
General Fund Revenues					
Property Tax (2.5%)	\$14,041	\$14,386	\$14,744	\$15,108	\$15,482
TIF Cost Recovery	725	550	375	200	0
<u>Other Revenues</u>	<u>7,951</u>	<u>8,241</u>	<u>8,487</u>	<u>8,689</u>	<u>8,895</u>
Total Base Revenues	22,717	23,177	23,606	23,997	24,377
Change	525	460	429	391	380
Percent Change	2.4%	2.0%	1.9%	1.7%	1.6%
General Fund Expenditures					
Wages (2-2.5%)	\$9,973	\$10,196	\$10,424	\$10,658	\$10,897
Benefits (3%)	3,198	3,293	3,392	3,493	3,598
<u>Operating & Other (0-3%)</u>	<u>9,796</u>	<u>9,796</u>	<u>10,013</u>	<u>10,123</u>	<u>10,340</u>
Total Expenditures	22,967	23,285	23,829	24,274	24,835
Change	25	318	544	444	561
Percent Change	0.1%	1.4%	2.3%	1.9%	2.3%
BUDGET GAP	(250)	(139)	(255)	(308)	(490)

Prior Year Budget Strategies

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- 2018: Requalified for Expenditure Restraint Aid
Increased hotel room tax to 8%
- 2019: Building plan review fees & shifted public fire protection to utility bills (mid-year)
- 2020: Full-year of PFP on utility bills, levy adjustments for fire district & flooding costs
- 2021: Utility cost allocation & fund balance use
- 2022: TID #3 subtraction, health insurance change, increase abated debt levy adjustment

Potential Future Budget Strategies

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- Referendum to exceed the levy limit
 - Best option to address long-term staffing needs
 - Must specify purpose, can be ongoing
 - In even numbered years can hold at spring or fall elections
- Wheel tax / transportation utility
 - Annual fee on vehicle registration
 - \$20 fee would generate about \$400,000
- Transportation Utility
 - Trip-based charges to pay for street maintenance
- Recycling special charge
 - Special charge on tax bills to pay for recycling service
 - Recycling budget \$261,519 net of grant & fees

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Next Steps

Next Steps / Budget Process

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November 3, 2021 Special Council Meeting

- Public Hearing on the Budget
- Council Discussions/Deliberations/Amendments

November 16, 2021 Regular Council Meeting

- Final Budget Consideration
- Council Action to Approve the Budget and Tax Levy

December

- 2022 Salary Resolution & Market Adjustments
- Water & Sewer Rate Adjustments
- Allocation of Personnel Contingency to Dept. Budgets