

**CITY OF EVANSVILLE
MEMORANDUM**

November 8, 2013

To: Common Council
From: Dan Wietecha, City Administrator

Re: ^{DBU} Proposed 2014 Budget

This memo covers highlights of the proposed 2014 budget, including late revisions recommended by the Finance Committee on November 7.

Revenues

- **Levy Limit** – We operate under a state-imposed levy limit of 0% or net new construction. This means a city can only increase property taxes by the amount of new building construction less any demolished buildings. If a city had no new construction, then the allowable levy increase is zero percent. There is no adjustment for inflation or other changes in operating costs. In Evansville, construction over the past year was respectable at 2.06%. Evansville has historically not taxed to the max, but it is recommended this year. The allowable levy limit without incurring any negative adjustments is \$2,207,575.
- **Tax Rate** – The proposed budget has an estimated tax rate of \$6.759 per \$1,000 assessed value. Despite taxing to the max, this is actually \$0.052 less than the current rate.
- **Expenditure Restraint Program** – This state program rewards limited growth in general fund operating expenses regardless of the revenue source. In 2014, we expect to receive about \$46,000 from the program. The proposed budget is about \$17,430 under our expenditure restraint cap. There is some headroom, but this is the tightest I remember us being at this point in the budget cycle. Unanticipated overtime, vehicle repairs, or using donations/grants to cover unbudgeted items could put this at risk. This means we will need to be very cognizant of expense variances during the year and very careful about any budget amendments to keep this funding in place for future years.
- **Refuse and Recycling Fees** – The household assessment is proposed to increase by \$14 from \$139 to \$153 for the year. About \$6.50 of the increase is due to inflation and the new contract, about \$5.50 is to cover lost tag revenues, and about \$1.00 for wages/benefits and inflation in the leaf and brush collection.

Expenses

- **Personnel**
 - **Wages** – Budget calculates a 1% wage increase for general union employees, 1% for full-time non-union employees, 1.5% for police union employees, an additional \$1 per hour for electric line workers, 1.77% for the court clerk, and \$0.10 per hour for youth center employees. No change in compensation is proposed for other part-time or seasonal employees.
 - **Health Insurance** – The city continues to cover 90% of the lowest cost policy in Rock County for full-time employees. The cost of the premium is increasing 7.8% for single plans and 7.7% for family plans.
 - **Dental Insurance** – The city continues to cover 100% of the premium for full-time employees. The cost of the premium is increasing 2% for next year.

- Retirement – Non-union employees are already paying the full employee share (7%) of retirement contributions, general union employees will begin paying the full employee share in 2014, and we are negotiating to continue phasing in the amount paid by police union employees.
- Recognition – Particularly at Committee of the Whole, we have discussed the importance of doing more for employee recognition, both in our day-to-day interaction and with a formal program. The budget includes funding specifically for a formal program (not just rolled into miscellaneous expenses).
- Mayor – An ordinance has been introduced to increase the mayor's compensation from \$375 to \$500 per month. The budget reflects the proposed increase.
- Hiring and Restructuring – The budget includes hiring a part-time library clerk, seasonal aquatics director, and a part-time building inspector. Pending details and decisions about combining the management of the Public Works and Water & Light departments, the costs for the public works superintendent are simply carried forward in the budget.
- Compensation Study – The last couple times we hired electric lineworkers, we had extremely limited pools of applicants (although we did manage to hire good ones). In reviewing our wage rates with two similar sized utilities, it appears we are below the market rate. So the budget proposes to continue working to narrow the gap with an extra \$1 per hour. Please also note that the utility does not operate under the levy limits or expenditure restraint programs that impact other parts of the budget. The Finance & Labor Relations Committee discussed conducting a city-wide compensation study but felt this should be discussed at the policy level by the full City Council before budgeting or contracting for a study.
- **Finance and Administration**
 - Assessor – Savings next year due to digitization project and commercial revaluation in 2013 (one-time expenses).
 - New Hires in 2013 – Some added insurance costs as new hires come fully onboard.
 - Voting Machine – Capital expense to replace obsolete machine, coordinated county-wide.
- **Community Development**
 - Community Survey – Hire UW-Oshkosh to prepare and analyze 6 page survey mailed to all households.
 - Intern – Hire intern 10 hours/week during school and 25 hours/week during summer to assist with Smart Growth Plan update (and other minor projects).
 - Tourism – Some increase based on room tax estimates for Boarders Inn and Grove Retreat. All room tax goes to community marketing/promotion.
 - Staff Expenses – Some savings for staff expenses as we've gotten a year into the new position.
- **Police**
 - Squad – Trade in 2001 unmarked Crown Vic for 2014 Ford Explorer Utility Interceptor. Evansville Ford gave low bid.
 - Fuel – Calculated 6-year average gasoline use (by month) with US Energy Information Administration short-term outlook for gasoline prices.
 - Rifles – Not included in proposed budget.
- **Ambulance**
 - Per Capita – The contribution will be \$20 per capita (city and towns) next year.
 - Increased Calls – Ambulance calls are up significantly (420 calls year to date, 441 in all 2012, 395 in 2011), increasing wages, fuel, maintenance, Medicaid write-offs, and

other operating expenses. Billing charges for services have also increased and have managed to cover the additional costs.

- Fuel – Calculated 18-month average diesel use (by month) with US Energy Information Administration short-term outlook for diesel prices.
- LUCAS Device – Purchase LUCAS chest compression system.
- **Fire** – Based on Fire District approved budget.
- **Library**
 - Book Materials – Budget complies with our purchase obligations with the Arrowhead Library System.
 - Building Repairs/Maintenance – Library Board is discussing some needed repairs, but did not include them in the budget request. These will likely come later as a budget amendment using library fund balance.
- **Parks**
 - Creek Walls – Storm water utility is increasing the funding to \$50,000 in 2014 (estimate 250 feet).
 - Park Shelter – Budgeting for picnic shelter to go with the new restrooms at Westside Park.
- **Public Works**
 - Hold Steady – The general operating budget really took the “hold steady” target to heart. Some expenses were shaved from the phone and office supplies.
 - Sidewalks – Maintain funding for sidewalk repairs and connections.
 - Street Maintenance – Significant increase to this budget from 2012 to 2013; the 2014 budget keeps the increased funding. As the city engineer has often pointed out, crack-filling and seal-coating are some of the best money we can spend.
 - Streetlights – Increased to more accurately reflect actual expense of streetlight operation and maintenance.
 - Cemetery – Purchase new lawn mower.
- **Water & Light**
 - WPPI Energy – We are expecting a 2% increase in the cost of the electricity we purchase through WPPI. This is partly a “pass through” being picked up by our customers and partly a reduction to the utility’s rate of return.
 - Substation Transformer – The 2nd of the 5-year electric system plan. This was already financed through our 2013 debt issue.
 - NE Line Rebuild – Three-phase line improvements north up Highway 14, then to loop around to the east. The 3rd of the 5-year electric system plan is proposed to be moved up a year to “make room on the schedule” for the Advanced Metering program in 2015.
 - Advanced Metering – Added to the Capital Improvements Plan (CIP) in 2015. The project would be financed with a zero percent loan from WPPI Energy covering half the project and a revenue bond covering the other half.
 - Urban Lines – The utility continues to upgrade lines and improve reliability by burying lines in the central neighborhood of the city.
- **Major Projects**
 - GO Debt Capacity – Our policy is to limit general obligation (GO) debt to 50% of the legally allowed capacity. We are at 48.9% in 2013 and 43.6% in 2014; there is very little room for additional GO debt at this time. The utilities have some flexibility with this because they can issue revenue bonds. Otherwise, projects in 2014 will need to be paid with cash.

- Capital Improvements Plan (CIP) – The street/utility projects that had been scheduled for the next four years were all pushed back a year because of the present limits on using GO debt. Anticipating a 3-year extension to the Post Office lease, the schedule for the library expansion is delayed until 2017. Several infrastructure improvements identified in the 2006 plan for Tax Increment District #6 were scratched as inappropriate considering the present limits on GO debt.
- Maple Street – Resurfacing project from Church to Water Streets. Some of the poor surface conditions are due to sanitary sewer manhole replacement a few years ago. The resurfacing cost will be split between the general fund and the sewer utility.
- West Main Street – Resurfacing project between Fourth and Fifth Streets, includes removing the concrete storm water trough at Prentice Street. Some replacement/removal of manholes and minor repair of sewer mains is also anticipated. The project costs will be split between the general fund, storm water utility, and sewer utility.
- Water Tower – The water utility does not have the money on-hand for this project. Two interfund loans (one from the general capital projects fund and one from the storm water utility) will provide short-term financing for the project.
- Land Acquisition – Money has been budgeted to allow room to negotiate for land acquisition to support park expansion, street extension, economic development, or other project. It is expected that a grant or other funds would be necessary to supplement any such purchase.
- **Tax Increment Districts**
 - TID #5 – Continues to require significant tax levy support. Several properties which received direct assistance do cover shortfall per their individual development agreements.
 - TID #6 – Requires increased amount of tax levy support, in part due to relief provided in the revised development agreement for Boarders Inn. Due to the limits on GO debt capacity, any development assistance for the Southern Wisconsin Agriculture Group (SWAG) would most likely need to be a pay-as-you-go (PAYGO) arrangement.
 - TID #7 – Actually in a decrement situation with the property valued less than when the district was created. Revenue needs are being met by assessments to Landmark and also use of TID #7 fund balance.
 - TID #8 – Increment and developer agreement to cover any shortfall are sufficient to cover debt service.
- **Debt Service**
 - All scheduled debt payments (principal and interest) are covered in the budget.
- **Miscellaneous**
 - Youth Center – Includes being open during school early release days.
 - AWARE – Includes increased support.
 - Creekside Place – Includes increased support for senior citizens programming and the operation of the Primetimer transportation van.