

Budget Starts with Revenues

I have said it before, and I will say it again and again: the budget starts with revenues. This is the key to making sure we spend within our means.

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 just over 2%.

Evansville has historically not taxed to the max, but it is recommended this year.

Budget Process

At the start of this year's budget process, I recommended department heads and committees use a "hold steady" budget target. Any increased operating expense should be matched with a corresponding decreased expenses or new revenue source to keep in balance.

Over the summer, department heads discussed their portions of the 2014 budget with their respective committees. To a large extent, they take an incremental approach. Using a combination of the prior year's budget and the prior year's actual expenses as the base, then making incremental adjustments to that base. We have benefitted by finding efficiencies in our operations, allowing us to manage reduced revenues and tight budgets without cutting services.

By August, they submitted their individual budget requests. The requests were compiled into a preliminary budget. On September 26, the preliminary budget was presented to the full City Council. There was some discussion, but it was really meant to be a presentation rather than a negotiation.

At its October 3 meeting, the Finance Committee revised the preliminary budget into the actual proposed budget. This is THE meeting. The committee, mayor, and I take active roles discussing the entire budget. Where other committees may understandably take a parochial view of their portions, the Finance Committee takes a big picture view of the entire budget. In the end, the goal is a balanced and responsible proposal. With a few last minute changes recommended last week at the Finance Committee's November 7 meeting, this is the proposed budget..

Proposed 2014 Budget

In this column, I highlight a few of the key elements of the proposed budget. Please recognize this column is written based on the recommended budget prior to input at the public hearing and City Council vote on November 12. For the most part I avoid numbers altogether, but where I include them they are rounded for sake of clarity and simplicity.

Personnel

Personnel comprise a major portion of the city's operating expenses and are also the area of the greatest change from the prior year's budget. Going into the budget, I estimated that the added personnel costs (particularly for health insurance which continues to outpace inflation) were

roughly offset by anticipated cost savings and the allowable levy limit. We could afford the anticipated personnel expenses without drastic cuts in operations. This recognition that the personnel costs were basically covered was central to my recommendation that department heads use a “hold steady” budget target.

The Finance Committee included a 1% wage increase for most employees in the 2014 budget.

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 Water & Light Committee recommended the budget 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 compensation study of all departments but felt this should be discussed at the policy level by the full City Council before budgeting or contracting for a study.

Another major change in the area of personnel involved the formula for retirement contributions, which are overall savings for the city’s operating budget. Non-union employees have been paying the full employee share (7%) of retirement contributions since Act 10 went into effect in 2011. General union employees have been phased in over their last three-year contract and will begin paying the full employee share in 2014. We are negotiating to continue phasing in the amount paid by police union employees.

Particularly at Committee of the Whole, we have discussed the importance being more attentive to 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). The dollar amount is modest, but what I think is important is that we are saying that this is important.

Community Development

The ten-year update to the Smart Growth Comprehensive Plan will begin next year, to be completed by spring 2015. The budget includes two things specifically related to this work: a community survey and an intern.

Public input is a vital part of developing the Smart Growth Plan. Some of this will be through public meetings, and some of it will be with a survey. The City Council has discussed getting a “two-for” out of the survey, using for the Smart Growth Plan and as a report card on city services. The Plan Commission has decided to hire UW-Oshkosh for development and analysis of a six-page survey to be mailed to all residences. The survey we did ten years ago had a remarkable response rate of 75%, and we hope for similar advice with this one.

A second aspect of the Smart Growth update will be to hire a college or graduate school intern on a part-time basis to assist in assembling and drafting the updated plan as well as assist with other planning and development projects and paperwork.

The city continues to promote tourism and visitors. We've proposed a small increase in marketing efforts based on room tax estimates for Boarders Inn and Grove Retreat. All room tax goes to community marketing and promotion. Marketing examples include printing the visitors and barn quilt brochures, maintaining the downtown flower baskets, advertising for Fourth of July and Plein Air Art events, and (hopefully) a community calendar.

Public Safety

The most visible item in the police budget is a new squad car. The budget will trade in the 2001 unmarked Crown Victoria for a 2014 Ford Explorer Utility Interceptor. Evansville Ford gave the low bid.

Ambulance calls are up significantly (we're at 420 calls year to date compared to 441 in all 2012 and 395 in all 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. The per capita charge assessed to the city and townships will remain \$20.

Public Works

The public works budget had a significant increase from 2012 to 2013 for street maintenance. The 2104 budget keeps the increased funding. As our city engineer has recommended: crack-filling and seal-coating represent some of the best money we can spend. In the long run, maintenance is much cheaper than reconstruction. The proposed budget also maintains funding for sidewalk repairs and connections. And it is increased to more accurately reflect actual expense of streetlight operation and maintenance.

For refuse and recycling collection, the household assessment will 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.

Water & Light

We are expecting a 2% increase in the cost of the electricity we purchase through WPPI Energy. This is partly a "pass through" being picked up by our customers and partly a reduction to the utility's rate of return.

The second-year project of the utility's five-year electric system plan is replacement of a substation transformer. Planning ahead, this was already financed through our 2013 debt issue. The Water & Light Committee has recommended accelerating the third-year project to "make room on the schedule" for an advanced metering program in 2015. The third-year project involves three-phase line improvements north up Highway 14 then looping around to the east.

The utility also continues to upgrade lines and improve reliability by burying lines in the central neighborhoods of the city.

Major Projects

The city's 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. In our 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. The utilities have some flexibility with this because they can issue revenue bonds. Otherwise, projects in 2014 will need to be paid with cash.

Maple Street will be resurfaced from Church to Water Streets. Because 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 will be resurfaced between Fourth and Fifth Streets, including removal of the concrete storm water trough at Prentice Street. Some replacement or 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.

The water utility does not have the money on-hand for planned repairs and painting of the water tower. Two interfund loans (one from the general capital projects fund and one from the storm water utility) will provide short-term financing to accomplish the project in 2014.

Property Taxes

The proposed tax rate is \$6.76 per thousand dollars of valuation. Despite taxing to the max, this is actually \$0.052 less than the current rate. I am very pleased that the department heads and committees came in with requests that kept to our “hold steady” approach.

We’re Listening

The full budget proposal and other fiscal and tax information are on the city website www.ci.evansville.wi.gov. We have also set up a special email address budget@ci.evansville.wi.gov for residents and businesses to send their budget comments and suggestions; all comments will be shared with the City Council.