

Mayor's Column for the July 25, 2012 Review

Budget Preliminaries

The 2013 City Budget Calendar has been distributed. City departments and committees will submit operating and capital budget requests to the Finance Director in one month. A proposed budget will be published in October. Public hearing and action on the budget is scheduled for the November 13, 2012, Common Council meeting.

Preliminary to budget activities, the Finance Committee and Common Council recently received the 2011 Audit Report. This information is important and relevant because it provides independent analysis and review of our current financial situation. Also this spring, to familiarize newer alders and staff with various aspects of City operations, our long-time financial advisors, Ehlers, and Dan Wietecha, City Administrator, made financial presentations.

Audit firm Johnson Block, when presenting the 2011 Report, stated that we are in good financial shape. Some highlights from the Report reflect this comment.

The Financial Highlights section at the beginning of the Report explains that the City's operating results are the relationship between revenues and expenses. When revenues are greater than expenses, there is an increase in net assets. Conversely, when expenses are greater than revenues, there is a decrease in net assets. "You can think of the City's net assets, as measured in the Statement of Net Assets, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating." The net assets of the primary government of the City of Evansville were \$25,395,916 as of December 31, 2011. On December 31, 2005, the net assets of the City were \$17,280,437. During this time the net assets of the City increased 46.96%.

Evansville has a general fund balance policy, to reserve at least four months of annual operating expenses. This policy provides a cushion for unexpected expenses, such as an emergency event, and meets operating cash flow needs due to the uneven timing of tax receipts, shared revenues, and other revenues. The City has made an effort to build an adequate reserve fund. At a recent Committee of the Whole meeting we learned that in the distant past the City had no financial reserve. The unreserved general fund balance was \$634,124 on December 31, 2005. The 2011 Audit indicates our undesignated general fund balance at \$1,267,041, 43.77% of operating expenses, and an increase of 99.81% from the 2005 audit figure.

State of Wisconsin law limits the general obligation debt capacity of local governments to 5% of equalized value. The City has recently followed a debt policy recommended by Ehlers to keep outstanding general obligation debt at or below 50% of the debt limit. The 2011 report shows our current outstanding general obligation debt at 47.97% of the debt limit.

Wisconsin local governments struggling financially often have little or no “rainy day” fund and are near or at their debt limit. Their operational flexibility is compromised. Evansville has carefully monitored revenues, expenditures, and debt to insure continuing financial strength.

Greg Johnson of Ehlers presented a financial overview of our city that highlighted municipal debt information. He presented and explained bond rating factors and compared unrated Evansville to similar rated Wisconsin communities. Greg explained that A1 would be our likely bond rating based on our current rating factors. This is a strong, above average financial rating that would positively impact interest rates when we undertake a bond issue. Greg indicated that the most important rating factor is the ratio of the undesignated general fund balance to the operating revenues. Our 43.77% measure is impressive. Another strong rating factor is our moderate 17.25% ratio of debt service fund expenditures to total general fund expenditures (the median A1 rating for Wisconsin municipalities is 22.60%). Ehlers recommends that the City become rated when the next sizable debt issue is undertaken.

Of interest to the Common Council was information provided by Dan Wietecha comparing various Evansville financial statistics to 21 Wisconsin communities (including Evansville) with populations of 4,000 to 5,000. Information was obtained from the Munifacts 11, prepared by the Wisconsin Taxpayers Alliance, with data from 2009 or 2010, the most current available to the Alliance. Evansville net operating spending per capita was \$734.70, ranking 12 out of the 21 communities and lower than the \$779.21 median. City general obligation debt per capita was \$1,675.12, right at the median and ranking 11 out of 21. Tax rate per \$1000 was \$6.81, ranking 11 out of 21 and at the median of \$6.81. Equalized value was \$326,400,000, ranking 9 out of 21 and above the median of \$307,900,000.

By various measures, we are strong at the starting gate as we build the 2013 City budget. At the forefront of the budget process are a number of goals and realities. First, the Common Council is committed to operating efficiently and effectively. Wisconsin Statute 62.11 (5) states “the council shall have the management and control of city property [and] finances.” The appropriate, efficient use of every tax dollar, as well as every public asset, is the responsibility of the Common Council.

Stewardship of our current infrastructure and physical assets is important. The Common Council has identified proper maintenance and improvements to avoid higher future expenses as a priority. Council has voiced a “drive for excellence.” The Police Department is midway through accreditation and the Water & Light Utility is commencing RP3 certification. This “drive” includes investment in our staff with education and training opportunities.

Among budget realities—we are operating with a hard levy limit. We need to be creative and lean to make existing and any limited additional tax dollars go further. We need to

embrace new and better ways to serve Evansville residents; status quo means we are losing ground.

Finally, the City budget is vulnerable to state government decision-making. In the past few days I read a Wall Street Journal article that discussed the reality of long-term budget difficulties for state governments across the country. Social programs, pension liabilities, infrastructure expenses, etc. will increase and squeeze state budgets. Shared revenue, transportation aid, and expenditure restraint payments make up over \$700,000 of revenue in our annual City budget. It is likely that our intergovernmental revenues will decrease, possibly significantly, in the future. We must plan and prepare for this eventuality.

The hard budget task for the Council is prioritizing municipal needs, often across departments. Scarce revenue and tax dollars mean that there are budget request reductions and deferrals. The coming months are busy and difficult. The end goal is to provide the best overall result for our community with given resources. We encourage citizen input; all suggestions are welcomed.

Community Announcements

Trees planted within the last 3-4 years are particularly stressed by the ongoing drought. With looming loss of ash trees in the next few years, it is important to keep our young trees growing and healthy. Please consider giving recently planted trees a good watering.

Evansville's annual Garage Sale Day, the Chamber Inside-Out Day, and the Friends of Eager Free Public Library Used Book Sale will be held on Saturday, August 4. Enjoy the many opportunities to buy local.

The Evansville Farmer's Market provides great opportunity to buy fresh and local each Saturday through October from 9:00 a.m. to 1:00 p.m. near Creekside Place. My purchases this season have included strawberries, raspberries, blackberries, sweet corn, tomatoes, lettuce, spinach, potatoes, green and wax beans, snow and snap peas, cucumbers, zucchini, honey, eggs, muffins, breads, and my favorite lemon scones. I am looking forward to ground cherries when they are available. The Market needs your patronage to grow. Make your local market a stop on Saturday mornings for fresh, nutritious offerings.

The first anniversary of Creekside Place will be recognized with a community picnic and festivities on Saturday, August 11, 2012, from noon to 4:00 p.m. Celebrate the success of our new community and senior center with friends, neighbors, and family. For ticket information, call 882-0407.

Community Congratulations/Thanks

Our community thanks Madeleine LeMay and Jacob Spatafore for their dedicated care and watering of the city planters on Church Street.

Evansville congratulates and thanks the 142 residential and 19 business customers that currently participate in the Evansville Water & Light renewable energy program. We have completed five years of participation in the program coordinated through WPPI Energy for its member communities. Through the years, our Evansville customers have purchased 4,728,900 kWh of green power (15,763 blocks of renewable energy). This clean energy prevented use of more than 2,750 tons of coal and generation of 8,001,000-plus pounds of carbon dioxide.

2012 projections for Evansville program participation are: 4,308 blocks of clean energy; 1,292,400 kWh green power; and 2,186,740 pounds reduction in carbon dioxide generation. For information about joining your neighbors in the renewable energy program, contact Evansville Water & Light at 882-2280.