Mo Hansen

From: Mo Hansen <cityhall@waterloowi.us>
Sent: Saturday, August 25, 2018 2:12 PM
To: City of Waterloo, Mayor; Bob Thompson (Traveling)
Cc: parks@waterloowi.us; Kelli Mountford; Vern Butzine; dpsorenson@waterloowi.us; dpw@waterloowi.us
Subject: FW: Notes on the 2019 municipal budget deliberations
Attachments: JeffersonCounty-nnc-2018.pdf

FYI Mayor Thompson, Finance Committee and Department Heads,
We are working on budget binders and budget postings. Below I am attempting to convey budget information to Council members not on the Finance Committee. This email will serve as one budget communication for the 8/30 meeting.
-Mo

From: Mo Hansen [mailto:cityhall@waterloowi.us]
Sent: Saturday, August 25, 2018 1:57 PM
To: clifford osborn <clifford.osborn816@outlook.com>; thomastr2000@yahoo.com; Angie Stinnett <angie.stinnett@yahoo.com>; Jeanette Petts (Jeanette.petts@yahoo.com) <Jeanette.petts@yahoo.com>
Cc: 'mkawula@waterloowi.us' <mkawula@waterloowi.us>
Subject: Notes on the 2019 municipal budget deliberations

Alders Osborn, Thomas, Stinnett and Petts:

I am writing to invite you to participate in the Finance, Insurance & Personnel Committee's 2019 budget deliberations.

- LINK TO: Meeting agendas. Budget meetings are scheduled for 8/30/2018 at 5:30 and 9/13/2018, likely also at 5:30 pm. Future meeting dates to be determined by the Committee.
- LINK TO: 2019 budget page (regularly updated). The three Finance, Insurance & Personnel Committee members have requested 3-ring binders containing printed budget information which will also be posted online on the budget page. I can provide you with a binder if you request one. Budget information updates occur all throughout the process. As of today, all submittals are in-hand except the Fire Department, Tax Incremental Finance Districts and some portions of General Government.

Why participate?

- The annual budget sets municipal priorities.

- A budget cannot be passed without the affirmative vote of a majority of Council members present, the night the budget comes before the City Council (see process calendar online). The Finance Committee's task is to recommend a budget to the Council.

- Identify a Council consensus earlier in the process. Last year and in prior years, after receiving a Finance Committee recommended budget, the Council has taken action not fully contemplated earlier. This is perfectly fine, but we can take advantage of lead time to produce better budgets. One purpose of this email is to encourage policy discussions, perhaps even test votes, in the September – October period to enable greater input and insight for policy considerations. (Example: The Village of Marshall just concluded a wheel tax discussion, in August, in advance of a November budget approval.)

- For 2019 and prior years, the state mandated levy limit formula sets a limit, or ceiling, on municipal property taxes to be raised. The base variable in the formula is a calculation of "net new construction" in the community. The City of Waterloo levied $2,063,401 in property taxes for 2018. The amount of the allowed increase in the 2019 budget is the net new construction percentage -- 0.28% or $5,777. This is for all municipal funds. (Net new construction figures for Jefferson County communities are attached. Communities with larger net new construction percentages are growing faster than the others). NOTE: The state levy limit formula provides an exception allowing communities to raise taxes to pay for debt service. We have not reached for this exception in the past. Using this exception, in 2019 the City Council has the authority to raise property taxes by as much as a sum total of the net new construction figure and the debt exception figure, or $370,198.
    - This levy limit formula ceiling equates a property tax increase of 17%. IMPORTANT NOTE: All but $5,777 of the increase would be used for debt payments. And the City would be required to lower taxes in 2020 in an amount equal to the 2019 increase for debt services.

- For 2019 those responsible for submitting budgets are seeking tax levy allocations well in excess of the $5,777 allowed under the net new construction portion of the state levy limit formula.
    - DEBT SERVICE. **+364,420** from the 2018 level of $104,500 to $468,920. Debt service is our first legal obligation to address. Conceptually, the first dollars in the door are devoted to principle and interest on debt. Again, there is a formula exception for debt. The state always allows taxes to be raised to pay for debt. In my estimation, this encourages an unhealthy negative spiral of ever increasing interest payments for communities which are growing at rate lower than the prevailing interest rate.
    - WHAT ARE THE PRIORITIES? Allocating an increase in property tax revenue – not to exceed **$5,777** from net new construction. Means new cuts in services or other reductions would be necessary to fund these submittal requests.
        - Capital Projects. Funds for road projects and other capital projects are expected to exceed the 2018 amount. $371,466 in property tax levy was allocated towards 2018 capital projects.
        - Parks. A tax allocation of **+$52,750** is requested. An increase from the current $52,750 to $110,000. The Parks Department has expenses greater than revenues and is operating at a deficit.
        - Community Development Authority. **+$25,000** is requested. An increase from the current $0.00 to $25,000 to grow the tax base over time. The return on investment in growing the tax base can be tracked in a precise manner. A $25,000 investment which generates $1,000,000 in new property value pays for itself in about 2.5 years.
        - Police Department Staffing. Cost to fill an unfilled position in the Police Department **+$85,000**. 2018 budgeted wages and benefits for the Police Department are $770,003.
        - Library Park Lot Repair. **+$60,000** is requested for parking lot repair and maintenance.

Each year, the simple reality is -- more submittals (proposed expenditures), than revenue. I believe it is important to move the budget process from a math exercise (just getting budgets to balance) to identifying long-term priorities and appropriate service and staffing levels. Therefore, I am writing to invite you to participate in the Finance, Insurance & Personnel Committee's 2019 budget deliberations.

Mo Hansen | Clerk/Treasurer | City of Waterloo | 920.478.3025