

CITY OF
WATERLOO, WISCONSIN
2018 MUNICIPAL BUDGET
DELIBERATIONS
Resolution #2017-43
BUDGET NARRATIVE

Mo Hansen, Clerk/Treasurer
November 9, 2017

A municipal budget is more than a series of numbers on a page; it is an embodiment of community values and aspirations.

OVERVIEW

Total proposed 2018 revenue: \$11,543,500; proposed expense: \$12,477,945 with fund balance the difference.

Governmental Funds. The proposed budget shows governmental fund revenues of \$6,120,594 and expenses of \$7,180,995. Revenues are less than expenditures by \$1,060,401 with an application of existing fund balances making up the difference.

The net outcome will be smaller fund balances, accompanied by lower debt loads due to no borrowing for municipal road projects over time.

Proprietary Funds. The municipal proprietary funds (Waterloo Utility's Electric, Water & Sewer funds) show revenues of \$5,422,906 and expenses of \$5,296,950. These funds are projected to add a combined \$125,956 to their respective fund balances.

GOVERNMENTAL FUNDS	FUND ID #	REVENUE	EXPENSE	FUND BALANCE APPLIED: TO, (FROM)
General	100	2,017,377	2,017,377	-
Cable TV	200	75,994	80,038	(4,044)
Stormwater Impact Fees	201	200	0	200
Public Works Impact Fees	202	200	0	200
Parks Impact Fees	203	200	0	200
Sanitary Sewer Impact Fees	204	200	0	200
Water Impact Fee	205	200	0	200
Fire Department	220	588,049	604,153	(16,104)
Parks - Special Revenue Fund	225	185,546	188,692	(3,146)
Debt Service	300	641,705	641,705	-
Capital Projects	400	1,004,640	1,004,639	1
Special Assessments	402	10,000	0	10,000
TIF Dist. #1	410	601,180	1,608,588	(1,007,408)
TIF Dist. #2	412	412,382	257,700	154,682
TIF Dist. #3	413	103,988	313,650	(209,662)
TIF Dist. #4	414	16,146	1,275	14,871
Community Development Authority	600	60,960	60,960	-
Library - Special Revenue Fund	812	401,627	402,218	(591)
MUNICIPAL GOVERNMENTAL FUNDS TOTAL	Grand Total	6,120,594	7,180,995	(1,060,401)

PROPRIETARY FUNDS	FUND ID	FUND REVENUE	FUND EXPENSE	FUND BALANCE APPLIED: TO, (FROM)
MUNICIPAL PROPRIETARY FUNDS - Waterloo Utilities (Electric, Water, Sewer)	Utility	5,422,906	5,296,950	125,956

BUDGET DELIBERATION PROCESS

The City of Waterloo municipal departments submitted future year budget requests from mid-August to mid-September. The Finance, Insurance & Personnel Committee held public meetings on August 17th, August 24th, September 21st and October 12th to review these submittals, and to have a dialogue with municipal department heads while receiving citizen input. A budget summary was published in the official newspaper, the Courier, on October 26, 2017. A public hearing is slated for November 16th, with Council consideration the same night. Tax bills will be printed and mailed by mid-December.

MUNICIPAL FUNDS DESCRIBED

The General Fund (Fund 100) accounts for the bulk of municipal operations including legislative and general government, elections, property assessment, police administration & police patrol, building & zoning inspections & permit issuance, civil defense, public works and planning.

Separate stand-alone funds exist to account for the specific revenues and expenditures of the following:

- 200 – CATV/WLOO Cable TV Stations. Charter cable television stations channels 991 and 992.
- 201-205 Five Impact Fee Funds These funds are statutorily required in order to receive and expend impact fee dollars collected at the time of new construction from the builder. These dollars can only be used for the expansion of municipal services tied to new development. The funds numbered 201-205 are the Stormwater Fund; Public Works Fund; Park & Rec Fund; Sanitary Sewer Fund and Water Fund.
- 220 – Waterloo Fire Department Fund. Includes both operations and capital considerations for Waterloo Fire and Emergency Medical Services. The department serves the City of Waterloo and all, or a portion, of the Town of Waterloo, Town of Portland, Town of Shields and Town of Milford.
- 225 – Parks Special Revenue Fund. Includes all revenues & expenses for municipal parks.
- 300 – Debt Service Fund. Municipal debt excluding debt incurred by Waterloo Utilities.
- 400 – Capital Fund. Includes capital projects and equipment purchases for the departments in the General Fund.
- 402 – Special Assessment Fund. Maintains and tracks all revenues and expenditures resulting from special assessment projects (typically sidewalk or other public infrastructure) approved by the City Council.

- 410, 412, 413, 414 – Tax Incremental Districts 1-4. These four funds maintain and track all new revenue (tax increment) and allowed expenditures for four geographically distinct tax incremental finance districts created by the City Council. Each district has a statutory lifespan of approximately twenty-three years.
- 600 – Community Development Authority. Fund 600 is dedicated to the activities of the Waterloo Community Development Authority (CDA). It is charged with blight elimination and economic development functions. This fund receives revenue from the rental of the Maunesha Business Center at 117 East Madison Street. Rental revenue is meant to cover recurring operational expenditures. The Waterloo City Band and the Waterloo-Marshall Food Pantry use the facility. No revenue is collected from the band or food pantry. The CDA regularly seeks grant funding for improvement projects.
- 812 – Library Special Revenue Fund. Dedicated to the operations and facility care of the Karl Junginger Memorial Library.

Important Note: A Change For 2018 -- When reviewing documents which contain percent change information, the values compared are the Finance, Insurance & Personnel Committee recommended budget against the *2017 Projected Budget*, not the *2017 Adopted Budget* figure. Comparing a recommended budget figure against the current year projected budget takes into consideration actual 2017 financial information and is more informative than comparing the figure against the approved 2017 budget figure.

REVENUE HIGHLIGHTS

Revenue Constraints. Property tax levy limits imposed by the state and the Wisconsin Department of Revenue's Expenditure Restraint Program (ERP) are the primary non-local constraints to levying local property taxes. To qualify to receive 2019 ERP revenue, a formula is applied to all 2018 taxes levied and expenditures in the General Fund. Per the terms of this formula, the 2018 proposed budget meets ERP requirements. To abide by state property tax levy limits, again, a formula is applied in which the primary variables involved are a measure of a municipality's net new construction along with a measure of additional debt service used compared to previous years. Waterloo's net new construction percentage calculated by the state is 0.49. The proposed 1.18% increase in total non-TID property tax levy meets the state levy limit requirements set by the formula.

Allocation of Municipal Property Tax. The non-TID allocation of proposed municipally levied property tax is shown in the chart below.

Property Tax Levy Uses								
11/8/2017								
FUND NAME	ACCT NO	DESCRIPTION	NOTES	2017 PROJ	2017 BUDG	2018 SUBMIT	FIN COMM	% change Fin Comm over 2017 Proj
General	100-41-4111-000	LOCAL TAX-GENERAL FUND	same as curr yr projected	951,833	952,827	951,833	951,833	0.00%
Fire Department	220-41-4115-000	TAX SHARE CITY OF WATERLOO	fr equalized property value calc	269,464	269,464	269,464	269,464	0.00%
Parks	225-41-4111-000	LOCAL TAX-GENERAL FUND		52,750	52,750	52,750	52,750	0.00%
Debt	300-41-4111-000	GENERAL PROPERTY TAXES		95,000	95,000	104,500	104,500	10.00%
Capital	400-41-4111-000	GENERAL PROPERTY TAX	plus \$3k over 2017	368,466	368,466	371,466	371,466	0.81%
Library	812-41-4111-000	LOCAL TAX-LIBRARY SPECIAL REV		210,842	210,842	221,400	221,400	5.01%
		TOTAL		1,948,355	1,949,349	1,971,413	1,971,413	1.18%
Notes: Levy Limit Worksheet favorably takes into account amount of levy applied towards debt. 2018 amount is greater than 2017 allowing for an increase greater than net new construction figure referenced during budget deliberations								

The total non-TID municipal property tax amount collected is slated to increase by \$23,058, or 1.18%. NOTE: Municipal property tax does not include the property taxes levied by the School District, Madison College, Jefferson County or the State.

Municipal Vehicle Registration Fee. New for 2018, the budget calls for the institution of a \$30 per vehicle registration fee collected as part of the WisDOT vehicle registration process. The new fee is projected to generate \$84,810 which by state law would be dedicated to transportation expenditures. In 2018 the fee funds a portion of the \$1,004,640 capital budget.

Municipal Borrowing. The budget calls for no new municipal borrowing. Except for Waterloo Utility projects and projects devoted to tax incremental districts (with known new revenue to cover the financing), the City has not issued general obligation debt in over nine years.

State aid. On all fronts, state aid has been reduced or remains the same.

- Shared Revenue. Reduction from \$469,629 (2016) to \$464,388 (2018), a reduction of 1.12%
- General Transportation Aid. Reduction from \$228,858 (2016) to 224,481(2018), a reduction of 1.88%
- 2018 DNR Recycling Aid remains at 2016 levels, \$11,737.

Residential/Commercial Trash & Recycling Fees. The municipality charges \$12 per month to property owners for curbside trash and recycling service. The fee is collected through the municipal utility bill. The proposed budget increases the monthly rate an amount sufficient to raise \$10,000 in new revenue above the service provider's costs.

Facility Charge by General Fund to Cable TV Fund. The proposed budget institutes an annual \$7,200 transfer from the Cable TV Fund (200) to the General Fund (100) to cover the cost of utilities and other facility expenses.

2018 New Home Construction Fees Waived. Limited fees are anticipated for building inspection and impact fees as the City Council is waiving all fees for single-family new home construction to promote tax base growth.

Tax Incremental District #1 - Revenue. Much of the fund balance in tax incremental district #1 will be used to fund STH 19 road construction and expenses related to District #1 and District #2.

Tax Incremental District #3 – Revenue. Debt proceeds received in 2017 are applied to fund, in part, a Commercial Avenue road extension, a land sale write-down and a developer incentive to AB E Discovery for the building of a 25,000 square foot facility which will generate new tax increment and create family-supporting jobs.

EXPENDITURE HIGHLIGHTS

- Emergency Operational Contingency. New for 2018, a \$45,000 emergency operational contingency expense line item is created. If expenses for fuel, road salt, emergency overtime hours or other unanticipated shortfalls occur directly resulting in the loss of essential services, Department Heads may request from the City Council one-time funds to cover such situations.

- Employee Wages. The Finance, Insurance & Personnel Committee is recommending the following:

- Zero percent employees wage increases except as noted below.
- Library staff increases as approved by the Library Board:
 - Director 3%; Catalog Librarian 1%; Library Asst. Nutrition Site 3%; Youth Librarian 6.3%
- Public Works Department Assistant Director 5%

NOTE: As of the writing of this document, negotiations between the City and the Waterloo Professional Police Association are in progress. A three-year contract with Police Patrol officers expires on 12/31/2017.

- Employee Benefits. Included in the proposed budget are the following modifications:

- A dental benefit is added with all premiums to be paid by the employee.
- Employees may now voluntarily opt-out of the health insurance benefit and receive 45% of funds otherwise used to pay for coverage. The 2nd year percentage is increases to 50%.

The City offers employees a health insurance benefit offered through the State of Wisconsin. The employer pays 88% of the average premium cost of a qualified Tier 1 health plan with Jefferson County through the Wisconsin Department of Employee Trust Fund Group Health Insurance Plan. The employee health insurance benefit and other existing benefits offered were not modified in the budget.

- Liability Insurance, Property Insurance and Worker’s Compensation Insurance. A more exact allocation across funds is being used. General Fund premiums are projected to increase 4.75%.

- Shifting Expenses to Tax Incremental District #1. As has occurred in prior years, a portion of the Clerk/Treasurer’s salary, \$24,503, is shifted from the General Fund to TID #1.

- Anticipating Future Retirement Payouts. Employees with at least 15 years of service may at retirement convert accrued sick leave to post-retirement health insurance coverage. General Fund line item 100-51-5190-155 "Sick Leave Health" again contains an expense amount, \$13,360, for anticipated future payouts to retiring employees.

- Street Light Expense. The 2018 cost of operating municipal streets is budget to decrease by \$4,620, a 7.1% reduction. The figure is based on PSC authorized electricity rates and derived usage. The decrease is due to TID #1 covering the STH 19 cost of street lighting improvements, and due, in part, to the installation of LED street light fixtures in a growing percentage of the community.

ADDITIONAL REVENUE & EXPENDITURE HIGHLIGHTS – FUNDS OTHER THAN THE GENERAL FUND

- Waterloo Utilities. Three proprietary funds (electric, water and sewer) operate under the auspices of Waterloo Utilities. 2018 project revenues are \$5,422,906 and expenses are \$5,296,960. The bulk of the expenditures are pass-through revenues and corresponding expenditures for the purchase of electricity from Wisconsin Public Power Incorporated. Electric and water operations are regulated by the Wisconsin Public Service Commission. Sewer is not similarly regulated.

No detailed expenditure information is provided. Contact Waterloo Utilities for details.

- Cable TV (200). The City of Waterloo operates two Charter Communications Inc. cable television stations (991 & 992) along with web-based communication capabilities. Revenue comes primarily from a 5% cable subscriber fee. The 2018 budget shows revenue at \$4,044 less than expenses. The difference coming from fund balance which is at \$198,200.

The Department has a part-time Director, two part-time video camera operators and a video editing assistant.

- Impact Fees (201-205). No sizable new construction activity is anticipated, so these funds are shown with merely place-holder amounts.

- Waterloo Fire Department (220). The revenue tax share from each of the municipalities served (City of Waterloo, Town of Waterloo, Town of Portland, Town of Milford and Town of Shields) remains at \$447,247. Each year the total share amount is spread across the municipalities based on the equalized value of property in the service area.

The Department has two full-time employees, one part-time employee with the 2018 budget calling for expenditures totally \$87,100 for stipends to voluntary Department members.

The Department annually sets-aside dollars for major purchases. The Department is preparing for a new fire apparatus using fund balance. Capital improvements include repair to concrete adjacent to fire station bay doors and gear for firefighters.

- Parks Department – Revenue Fund (225). A specially designated Revenue Fund is meant to generate the majority of its revenue from sources other than tax levy. Proposed expenditures are \$188,692. Major revenue sources include: Municipal property taxes, \$57,750; alcohol sales, \$45,000; park rentals, \$34,500 and donations, \$25,000.

The Department has a full-time Parks Coordinator, two part-time seasonal grounds-keepers and has budgeted to spend \$5,000 on wages for seasonal bartenders.

- Debt Service (300). Governmental fund debt service (non-Utility) is budgeted to pay principal and interest totaling of \$641,705. \$561,577 in principle and \$80,128 in interest. The revenue sources are: 2018 property taxes, \$104,500; debt service fund balance; \$152,000 (generated due to pre-paying debt in 2016); transfer from TID #1, \$383,285; and Federal Build America Bond interest redemption dollars,\$1,920.

- Capital Projects (400). The proposed budget allocates \$371,466 in property taxes towards capital projects, an increase of 0.81% over 2017 projected amounts. Reconstruction of Mill Street and Cleveland Street is the major project. No borrowing occurs for these projects or equipment purchases.

CAPITAL PROJECT - REVENUE

DESCRIPTION	NOTES	FIN COMM
GENERAL PROPERTY TAX	plus \$3k over 2017	371,466
STATE AID LRIP	via county for Mill/Cleveland	16,793
STATE GRANTS	revenue fr state; place-holder in-out grant	50,000
COUNTY AID ROADS/BRDGS	for Mill/Cleveland culvert	53,200
GRANT/AID	GTA reported 10/7	224,481
MUNI VEHICLE REG FEE	new for 2018 \$30 per vehicle reg	84,810
FUND BALANCE APPLIED	\$165k fund bal; and \$38,890 from 400-32601 dpw	203,890
REVENUE TOTAL		1,004,640

CAPITAL PROJECT - EXPENDITURE

DESCRIPTION	NOTES	FIN COMM
CAPITAL PROJ STREET CONST	Mill/Cleveland non-utility portion; \$20k less than KEG estimate	783,569
CAPITAL PROJ OUTLAY	microseal: Pierce, Polk, Peschel, S. Monroe, Leschinger	57,000
CAPITAL PROJ MUNI BLDG	clerk server and accounting software	17,900
CAPITAL PROJ DPW EQUIPMENT	street signs \$2,280; Bobcat skid steer \$38,890	41,170
CAPITAL PROJ LEAD WATER SERV	exp from grant program reimbursed by state	50,000
CAPITAL PROJ ORDINANCE UPDATE		1,000
SPECIAL FUNDS DPW EQUIPMENT		50,000
SPECIAL FUNDS EMER GOVT SIREN		4,000
REVENUE TOTAL		1,004,639

- Special Assessment Fund (402). No special assessments are anticipated.

- Tax Incremental District #1 (410). \$601,180 in revenue is budgeted. Tax increment has been generated due to increment captured from Trek Bicycle Corporation expansions and from state computer aid tied Trek Bicycle operations within this district.

\$1,608,438 in expenditures are budgeted with the bulk of expenditures flowing into 2018 from the 2017 STH 19 road construction project. The other major expenditure is a transfer to debt service. A portion of the Clerk/Treasurer's salary, \$24,503, is allocated to this fund.

- Tax Incremental District #2 (412). \$412,382 in revenue is budgeted for this district. It is made up of tax increment, \$45,628; Idle Industrial Site grant award reimbursements, \$236,000 and Hawthorn & Stone development payment in lieu of property tax, \$130,000.

Expenditures involve outflows of Idle Industrial Site grant dollars for interior build out aiding in the creation of family-supporting jobs at 575 West Madison Street. A second to-be-determined expenditure must be executed prior to the expiration of this grant opportunity.

- Tax Incremental District #3 (413). \$103,988 in revenue is projected. It consists of WisDOT aid for a Commercial Avenue road extension and tax increment.

Expenditures for the road extension are budgeted for \$300,000. Additionally work preparing 333 Portland Road for reuse will take place. A Wisconsin Economic Development Corporation grant application is pending for building demolition. Federal dollars from the Environmental Protection Agency, and not municipal dollars are anticipated to cover 2018 expenditures environmental site remediation at 333 Portland Road.

- Tax Incremental District #4 (414). Due to the construction of the building housing the Dollar General store located in district #4, 2018 tax increment for this district are budgeted for \$15,917.

No expenditures other than annual report fees and similar are anticipated.

- Community Development Authority District #1 (600). Total budget revenues for fund 600 is \$60,960 with \$50,000 for a - to be determined, not yet awarded grant. Funds are transferred to fund 600 from Fund 412 for expenditures to launch a downtown street market. All other revenues and expenditures, \$4,950, relate to the operation of the Mauneshia Business Center which is available for rent.

- Karl Junginger Memorial Library (812). Fund 812 is budgeted for \$402,218 in expenditures. This fund has the most diverse funding of all municipal funds with municipal tax levy at \$221,400; county aid, \$80,000; Clark Memorial donations, \$40,000 and Junginger Foundation donations, \$44,814.

A Library Director, Youth/Assistant Director, Catalog Librarian and ILL/Nutrition/Library Assistant III make up the full-time staff. \$16,519 is spent to fund additional staff working part-time. Wages make up the majority of library expenses. See note on wages above.

NARRATIVE DISCLAIMER

The full budget detail, associated summaries and this narrative represent the full budget resolution. All documents are posted on the municipal website (www.waterloowi.us).