

Citizen Budget Partners

August 20, 2014

Robert Miller, Mayor

Kevin Lahner, City Administrator

Steve DeQuaker, City Treasurer/Budget Officer



Overview

- August 20, 2014 – Introductions and Orientation
 - Introductions
 - What is the Citizen Budget Partners?
 - Why are we doing this?
 - Organizational Structure
 - Budget Process
 - Overview of Government Accounting
 - Overview Discussion of Legislative Issues
 - Library Budget Discussion
 - Discussion of TIF and Debt
 - Questions



Overview

- The Alphabet game in today's discussion
 - WRS (Wisconsin Retirement System)
 - DOR (Wisconsin Department of Revenue)
 - CPI (Consumer Price Index)
 - TIF District (Tax Increment Financing District)
 - TID (Tax Increment District)
 - TIF and TID are can be used interchangeably. TID is a shortened version of TIF
 - TID OUT (Tax Increment District Out)
 - The overall value of the City without the TIF Districts
 - MIL Rate (per thousand rate)
 - How much tax you pay per \$1,000 of assessed value
 - BMOP (Burlington Manufacturing and Office Park)

What is the Citizen Budget Partners?

- A group of citizens that have been asked to participate in the City's budgeting process
- Consists of 10 members
- Upon conclusion of the meetings your feedback will be used in preparing the draft budget for Common Council consideration

Why are we doing this?

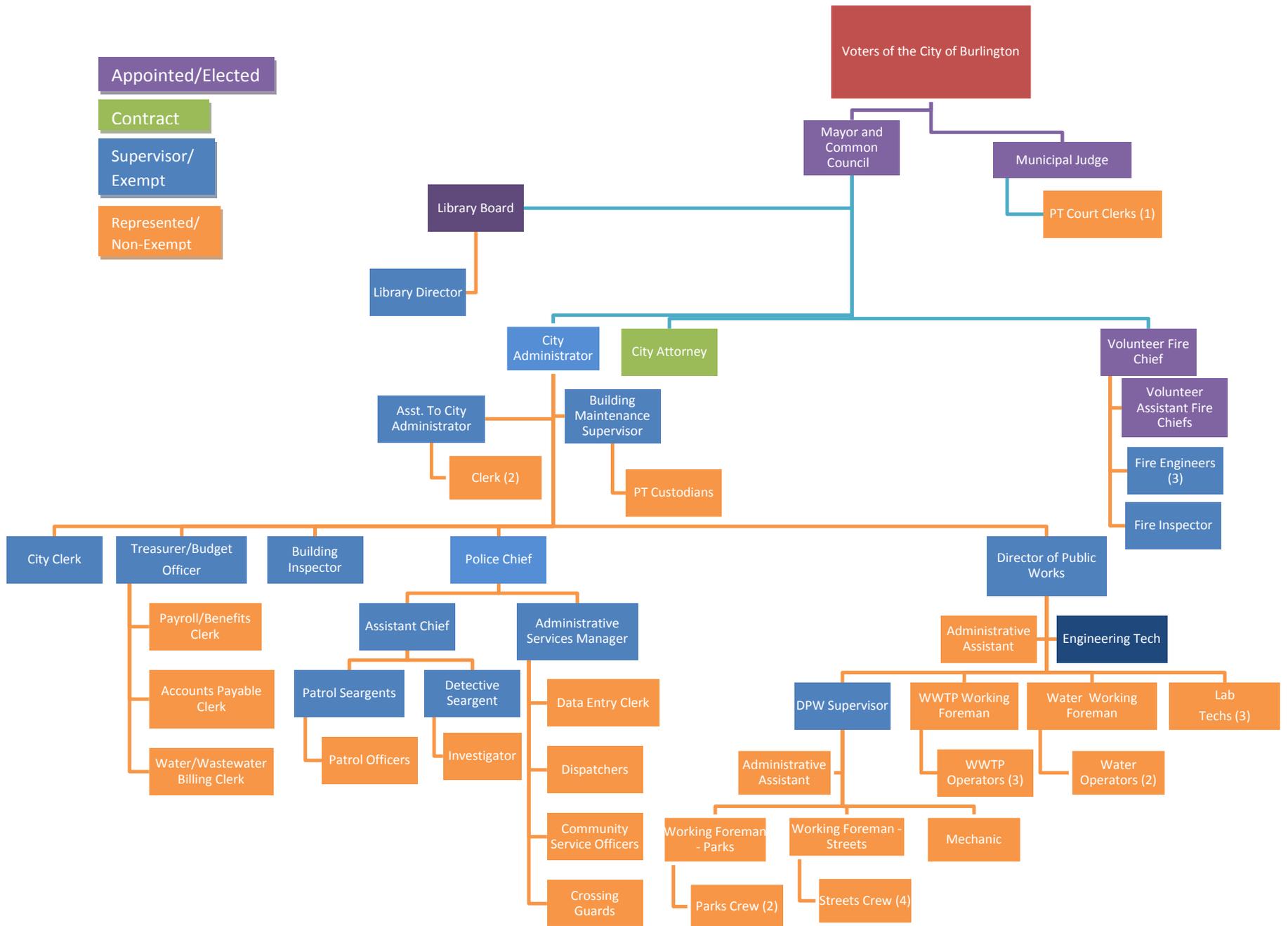
- Increase transparency of the City's operations
- Seek feedback from you about programs and services
- Generate new ideas
- Help educate the public about the budget and the impacts on our residents
- Provide direct feedback to the staff and Common Council about city policy and priorities
- Learn how we can do this better next year

Appointed/Elected

Contract

Supervisor/
Exempt

Represented/
Non-Exempt



2013 Budgeting Process

July – Budget Office Collects Information and sends to Department Heads. Projections are created and reviewed for 2012. Draft Budget is created for Review at Citizen Budget Partner Meetings.



August – Citizen Budget Partners Meeting Held to review draft budgets, proposals, and provide input



September – Department Head and Administrator meetings are held, draft budget revised with input from Citizen Budget Partners, and staff. Projections are updated



October – Common Council Workshops are held, adjustments to budget are made based upon Common Council input



November – Public Hearings are held
– Budget Adopted

Overview of Government Accounting

- Fund Accounting:
 - Funds – Independent self-balancing set of accounts
 - Categorized to reflect major services provided by the fund
 - Reflects the source and use of revenue. Ensures that certain revenue is only spent on specific items.

Overview of Government Accounting

- Fund Accounting:
 - General Fund – Most government functions. Taxes and shared revenue account for the majority of revenue. Expenditures include Public Safety, Public Works and Administration
 - Enterprise Funds – “Business-type” funds. Includes water and wastewater operations. Major source of revenue are utility fees.
 - Other Funds – Library, Revolving Loan Funds, Park Development Fund

Overview of Government Accounting

- Fund Accounting:
 - In the General Fund, it is recommended (and City Policy) that 25% of annual expenditures remain in a reserve – Known as “Unreserved Fund Balance” or simply “Fund Balance”
 - For the City of Burlington, there are no externally required balances i.e. “Restricted Assets” in the General Fund
 - There are “Restricted Assets” in the Enterprise Fund. Clean Water Fund and Safe Drinking Water Fund loans require a certain dollar amount of restricted assets in each fund.

Property Tax Information

- City of Burlington MIL Rate in 2013 was \$8.645. Overall net tax rate in 2013, County of Racine was \$24.0888 (net includes state credits)
- For an average household assessed value of \$172,000:
 - City Tax was: \$1,486.94 gross before state credit
 - Net Tax bill was \$4,143.27 after state credit
 - Total bill of \$4,143.27 is further reduced by Lottery and First Dollar credits if applicable.

Net Tax Dollars-approximate

State of WI: \$41.43

Racine County: \$662.92

Burlington Schools: \$1,702.53

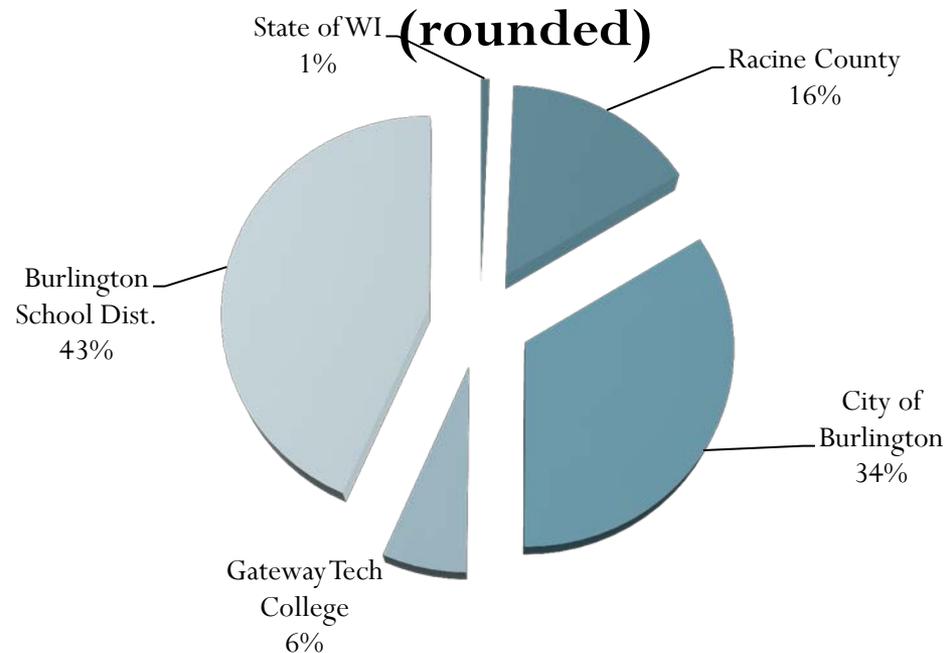
Gateway Technical: \$248.59

City of Burlington: \$1,487.80

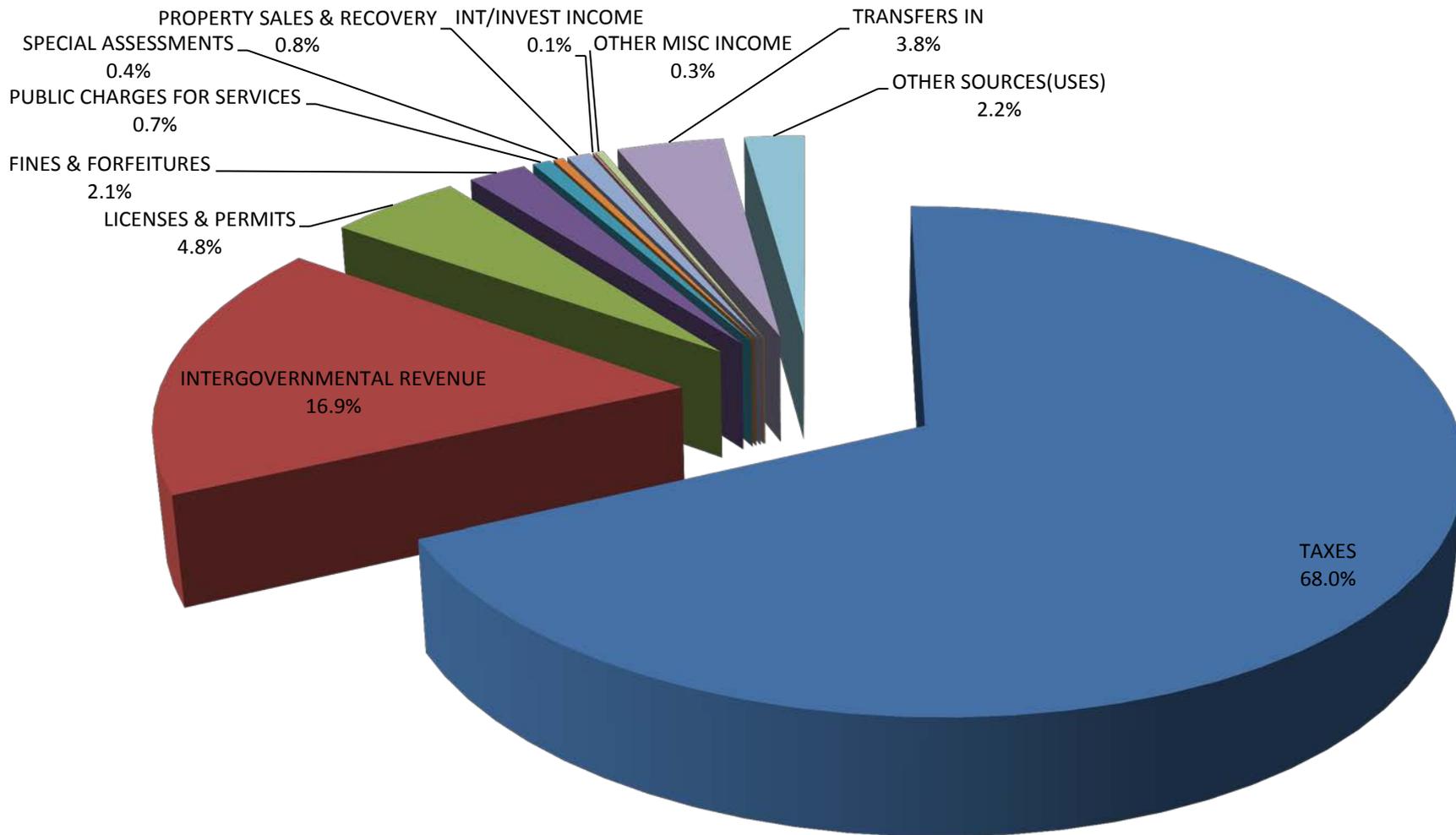
TOTAL: \$4,143.27

Tax bill is further reduced by Lottery and First Dollar Credits

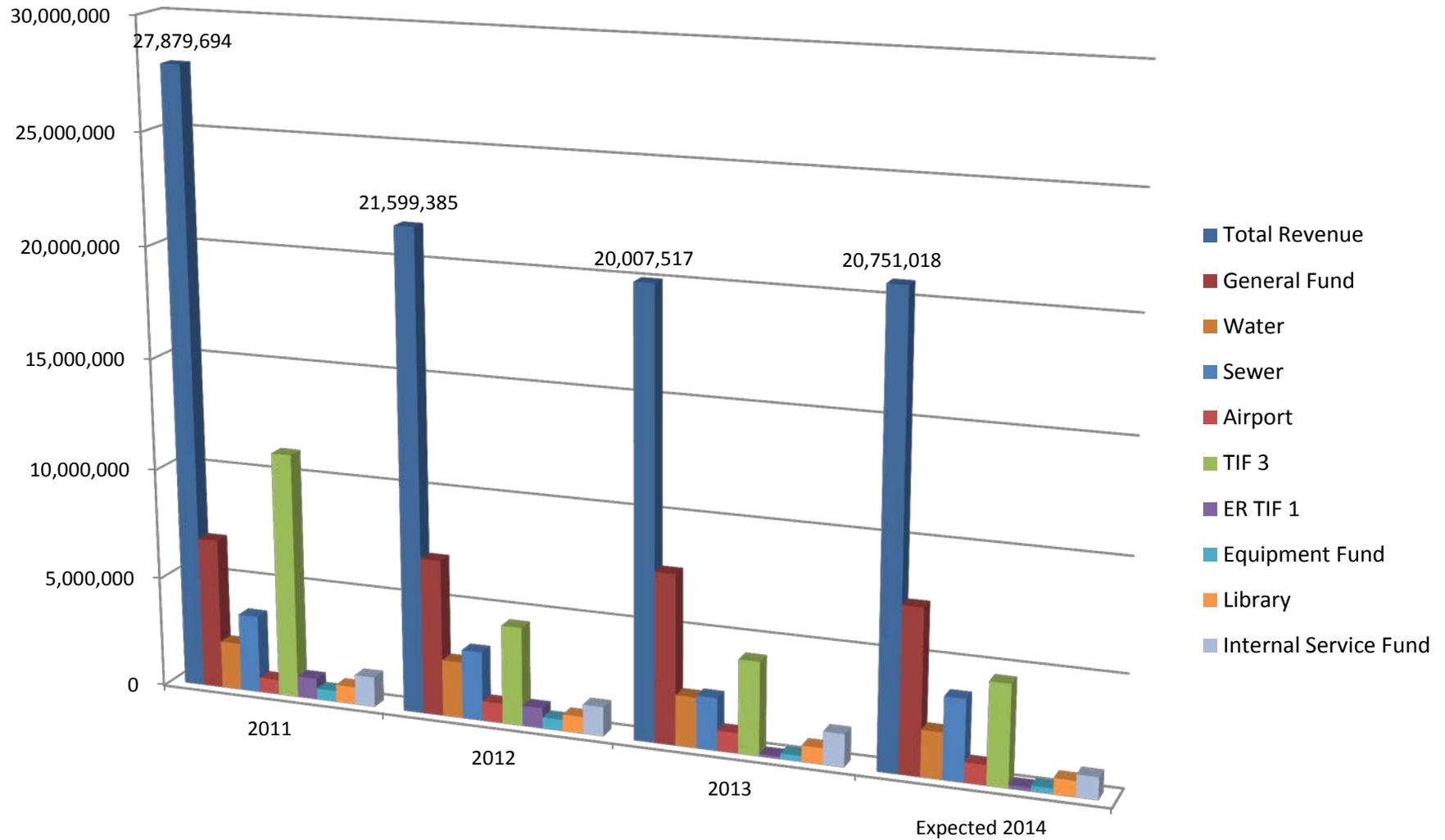
Tax Dollar Distribution



2013 General Fund Revenues



Revenues All Funds



Overview

- August 20, 2014
 - Discussion of Legislative Issues
 - Library Budget Discussion
 - Discussion of TIF and Debt
 - More to come next week on Budget Detail
 - Questions



What Does the Budget Repair Bill Do? (Act 10/Act 32)

- WRS Pension Contributions
 - Prohibits municipalities participating in the Wisconsin Municipal Retirement System from paying the employee contribution to the WRS unless they are required to do so in a collective bargaining agreement.
 - Prohibits Collective Bargaining Units and Municipalities, after expiration of current contract to negotiate on anything other than Wages and CPI. Act 32 further refined this to include Insurance contributions, but not plan types

What Does the Budget Repair Bill Do? (Act 10/Act 32)

- WRS Pension Contributions
 - Requires general municipal employees to make an employee contribution equal to 50% of the required contribution. (In 2014 this equals 7.00% of Gross Wages)
 - 2015 WRS contribution rate is 6.88% of Gross Wages.

What Does the Budget Repair Bill Do? (Act 10/Act 32)

- WRS Pension Contributions
 - Represented Police Officers are exempt from this requirement. Managers of both the police and fire departments are also exempt. (Modified by Act 32), unless negotiated in a contract renewal.
 - Efforts are in place to bring Police Officers, through their contract, up to the WRS contribution level as paid by all other City employees.

What Does the Budget Repair Bill Do? (Act 10/Act 32)

- Collective Bargaining
 - Municipalities are prohibited from collectively bargaining with unions representing general municipal employees on any issue other than total base wages.
 - Base wages for represented staff can only increase by the amount of the Consumer Price Index (CPI), unless approved by referendum
 - Unions must certify their existence each year in order to negotiate base wages

What Does the Budget Repair Bill Do? (Act 10/Act 32)

- WRS Contributions
 - Upon expiration of the current Public Works and Clerical Contract (December 31, 2014), all general municipal employees will contribute 50% of the total required WRS contribution

What Does the Budget Repair Bill Do? (Act 10/Act 32)

- Health Insurance Contributions
 - As the City is self-insured, there are no changes required to our health insurance plans

What Does the Budget Repair Bill Do? (Act 10/Act 32)

- Prohibits increases in the tax levy for operating purposes for the next two years
 - Levy can be increased by net new construction, recapture of closed TIF values, issuance of new debt, or referendum.
 - Net new construction, state wide is averaging .7%. 2013 City of Burlington Net New Construction is lower at .516%. Preliminary 2015 Net New Construction is .26%
 - Amount of Levy Limit increase are further limited by old debt retirement and other factors, without referendum.
 - In addition, strict compliance with Expenditure Restraint: Overspending a percentage increase figure supplied annually by the Department of Revenue (DOR) can result in a further cut to State Aid.

Overview

- August 7, 2013
 - Discussion of Library Budget
 - Relationship of the Library to the City of Burlington
 - How the fiscal budget for the Library is different from other City departments
 - Questions?



Overview

- August 7, 2013
 - Discussion of TIF and Debt



TIF Districts and how they work

- A Tax Increment Financing District or “TIF District” is the main vehicle used by Wisconsin Cities and Villages to improve areas of the city to attract Residential, Commercial and Industrial growth. Also called a “TID” or Tax Increment District, most commonly is used to create industrial or commercial areas and less commonly to create residential areas, unless it is a major subdivision.
- The city uses these areas to create infrastructure: roads, parkways, water, sewer, storm water, parks, etc.
- The financing for a TID is done through tax increments. These increments affect all taxing jurisdictions in the city: Technical College, School District, County, State and City. Basically the City collects the full tax rate and places the money into the specific TIF District Fund.

TIF Districts and how they work

- When a TIF District is established, a “base” value is assessed and created.
- Every year as new assessments are issued, the TIF District is re-valued based on state guidelines.
- Any increase or decrease in value is called the “increment”
- As MIL rates and tax rates are calculated each year, the taxes for the BASE VALUE of the TID are paid to all taxing bodies.
- The taxes for the “Increment” are retained by the City in a TIF Fund to be used for improvements in the TID
- When a TID is closed, the value of the property and improvements goes to the overall value of the city and the full value of taxes is then paid to all taxing bodies.

TIF Districts and how they work

- A TID Does not increase or decrease property taxes to residents
- A TIF District is set up with contiguous parcels of property
- Purpose of a TIF District is generally for infrastructure improvements to attract development.
- TID can also be used to eliminate “Blighted” areas and can be designated an Environmental Remediation TID or ER TID – state statutes apply.
- TIF District life span is typically 20 years
- TIF District 3 possible close in 2017-2018

TIF Districts and how they work

Using an example of a property with an assessed value of \$1,000,000:

- 2013 is the base year and property is in a TIF District, the full tax amount of \$24,088 is paid to all the taxing bodies at the \$24.0888 MIL rate for 2013.
- In 2013, if the value of the assessed property increased to \$1,500,000 due to improvements and the tax rate remained the same at \$24.0888 in the county, the total tax on the property would be \$36,132.
- The amount of the BASE TAX of \$24,088 would be paid to the taxing jurisdictions and \$12,044 which is the tax on the “increment” would be put into the TIF District fund for improvements.

Debt Issuance and Debt Service

- City is rated by Standard & Poors (S&P) as AA-. This gives the city favorable borrowing rates. Currently about 3-5%, depending on the source. Rating is based on Fund Balance, business operations, GAAP guidelines and discussions with S&P on the “state of the City” – new business, job retention, growth, future expenditures, etc.
- City issues Tax Exempt and Non-Tax Exempt bonds for major improvement projects, then pays the investors over a 10 or 20 year period an amount of Principal and Interest. Payments are made generally twice per year – spring and fall. These payments are called “Debt Service” and is a fund maintained by the city.
- Other types of loans are backed by the revenue streams of the Utility, or TIF increments.

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NEXT WEEK:

Please Complete the Survey for the next meeting

In-Depth Budget Overview and Discussions

Departmental Budget Presentations