



Office of the City Administrator

To: Mayor Welch, Common Council Members
From: Al Hulick, City Administrator
Dan Nelson, Finance Director
Date: October 2, 2018
Subject: Preliminary Budget Discussion

Overview

This memorandum, and the corresponding attachments, serves as a “snapshot” in time of where the 2019 budget currently stands. The numbers reflected in this document and the attachments are subject to change as the budget process continues. This is due, in large part, to a number of unknown variables yet to be provided by the State (road aid, assessment ratio, quotes, etc.). This is also due to the fact the current budget “snapshot” must be reduced in order to meet the state imposed levy limit.

With that being said, there are many variables that are known. Therefore, this document and the attachments represent the “known” increases and decreases, as well as a few assumptions made by staff to represent the current “status” of the budget.

Budget Parameters

What is known is, due to levy limits, the City is only able to increase its levy by \$48,885. However, what is also known is there are over \$113,000 in increases to the 2019 budget that the City has no control over. Therefore, as with previous years, items will need to be prioritized, services will need to be evaluated, and cuts will need to be made in order to meet the state imposed levy limit.

The following are a few of the key variables related to the construction of the 2019 budget that Staff and the Council will need to account for and take into consideration as the process moves forward.

Key variables regarding the Preliminary 2019 budget:

1. The City’s net new construction (value of new buildings and/or additions) was 2.055% which allows the City to increase the levy by \$48,885. It appears the levy limit will be the ceiling of what can be levied as opposed to the Expenditure Restraint Program (ERP) as in previous years.



2. Health Insurance
 - a. Police Union Staff – 14% premium contribution (increased by 2% from 2018), per contract
 - b. All non-union staff is currently at 14.14% (this contribution level may need to increase)
 - c. Staff is still working with Tri-Cor Insurance to determine other ways to mitigate the premium increase for employees.
3. Wage increases
 - a. Police Union Staff - 2% adjustment per contract
 - b. Non-Represented Employee adjustment (the current budget is constructed with a flat 3% adjustment)
4. The costs to operate the splash park have increased significantly over the past five years. This is primarily due to the increase in the cost of water used at the Splash Pad facility:

2018	\$	18,350
2017	\$	15,416
2016	\$	12,845
2015	\$	11,195
2014	\$	10,885

To help mitigate this increase in operational expense, the requested budget eliminates funding for staffing of the splash park concession stand. In 2018, \$3,000 was spent on labor and benefits. There was a gross profit of \$200 from the sale of merchandise.

5. The Fire Department presented a budget last week to the Joint Fire Commission. The proposed budget requested the City of Milton should contribute \$377,850 (operating and capital), however, what is shown in the “Requested 2019 budget” (City’s budget document) is \$372,850 (\$37,511 increase from 2018 budget). This represents the estimated amount that will be allowed per the *Levy Limit Worksheet*. As previously stated, this amount will not be known until late October.
6. Non-Profit funding is currently shown in the Proposed 2019 Budget as:
 - a. Historical Society - \$10,000 (shown in *Donations*)
 - b. Gathering Place - \$10,000 (shown in *Donations*)
 - c. YMCA Youth Scholarships - \$0.00 (Decrease of \$1,200 from 2018 budget)



7. The capital budget has significant dollars directed towards crack sealing and seal coating roads throughout the City. This is in addition to the amount that is collected through the wheel tax. However, even the combination of these two amounts is likely still considerably lower than what should be dedicated to routine street maintenance and repair.
8. The following are significant variables staff is still waiting to receive from outside entities:
 - a. Property insurance quotes
 - b. Road aid from the State of Wisconsin
 - c. Assessment ratio from the State of Wisconsin
9. Tax rate impact is too early to determine since there are too many major unknowns and approximately \$67,000 has to be reduced from the budget as shown. We feel it would be inappropriate to discuss tax rate implications until the budget is more refined.