



# 2021 Draft Budget Overview

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MILTON CITY COUNCIL MEETING

OCTOBER 20, 2020

# 2021 Draft Budget

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## 2020 Recap:

- \$27.7 million increase in equalized value in 2019
- Budgeted expenses increased 2.73% from 2019 to 2020
- Improved over 12.5% of the City streets
- No new tax levy supported borrowing

# 2021 Draft Budget

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## Budget Goals:

- Balanced Budget
- Stay within levy limits
- Qualify for expenditure restraint
- No reductions in service
- No new borrowing

# 2021 Draft Budget

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## 2021 Highlights:

- The City of Milton will collect less taxes in 2021 than in 2020.
- Expenses only increase 1.56%.
- \$27.6 million increase in equalized value in 2020
- Milton was the second fastest growing City in Rock County (2.152% net new construction).
- No new tax levy supported borrowing

# 2021 Draft Budget

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	<u>2020</u> <u>Adopted</u>	<u>2021</u> <u>Draft</u>
General Fund Expenditures	\$ 5,087,906	\$5,167,348
Percent Increase Over Previous Year	2.73%	1.56%

# 2021 Draft Budget

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## Contributing Factors to the 2021 Budget Construction:

- City's Growth
  - The City had new construction of 2.152%, thereby allowing the City to increase its legal levy limit by \$55,427.
  - The 2.152% increase equates to \$9.2 million in new construction.
- Expenditure Restraint
  - In order to qualify for an estimated \$100,000+ state aid payment for 2022 budget, the 2021 budget cannot increase expenditures by more than approximately \$139,000.
- Affordability
  - Developing a budget that maintains services as affordable as possible (can vs. should)

# 2021 Draft Budget

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## City Growth:

- Milton was the second fastest growing City in Rock County (2.152% net new construction).
- The City realized an overall increase of approximately \$27.57 million in equalized value in 2019 with TID (thru Jan 1, 2020).
  - The increase in 2018 (thru Jan 1, 2019) was \$31.26 million
- Levy limit increases are based on the “net new construction.”

# 2021 Draft Budget

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## Levy Limits:

- Levy Limits provide the maximum amount a town, village, city and county may implement as a property tax levy on parcels within their boundaries.
- Under the state budget, 2015 Wisconsin Act 55, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction. If no new construction occurred in your community, then your allowable levy increase is zero percent.
  - Adjustments for qualifying items can also add to the levy.
    - City of Milton has utilized the increase for the joint fire departments in the past.
- The draft budget, as presented today, DOES NOT meet the State imposed Levy Limit.



# 2021 Draft Budget

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## Expenditure Restraint:

- Expenditure Restraint is a separate “cap” imposed by the State that only allows a municipality to increase its levied expenditures by a certain percentage annually.
- If the municipality stays below the “cap” it will receive additional State aid the following budget year.
  - 2017 actual “bonus” was \$115,000
  - 2018 actual “bonus” was \$122,000
  - 2019 actual “bonus” was \$114,550
  - 2020 actual “bonus” was \$112,227
  - 2021 projected “bonus” is \$113,302

# 2021 Draft Budget

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## Expenditure Restraint (con't):

- To qualify for a 2021 ERP payment, both must apply:
  - The municipal-only 2015 property tax rate must exceed 5 mills
    - According to DOR records, 479 municipalities have a 2015 tax rate above 5 mills
    - **Note:** This excludes TIF district value and tax increments
  - At this time, we are estimating the ERP increase to be approximately 3.3% (≈\$139,854). At this time, this budget would qualify at that estimated increase.
    - The actual percentage as certified by WisDOR will be known in late October.
- The budgeted expenditures, as shown today qualify, for the estimated ERP “bonus.”

# 2021 Draft Budget

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## What this all means....

The City's 2021 draft budget:

- Will “levy” to the max (\$3,401,523).
- As presented on October 20, 2020, the draft budget DOES NOT qualify for the State imposed levy limit cap but does qualify for the estimated ERP.
- A reduction of \$12,534 is needed to meet the legal levy limit

# 2021 Draft Budget

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## What will the impact be....

In the City's 2021 draft budget:

- Less taxes will be collected in 2021 than collected in 2020.
- Expenditures increase approximately 1.56%.
- No reductions in service.
- No new levy supported borrowing.
- All employees receive the same compensation increase.
- Maintains capital and infrastructure funding levels.
- The City will not know the “final” tax rate until mid-November when the assessment ratio is known.

# 2021 Fire Allocation

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The Fire Commission chose to allocate 2021 contributions based on equalized value of all municipalities that are covered by department.

City's allocation:

- 37.94% of \$1,098,099 that was needed for the department
- Equates to \$416,581 (increase of \$24,989 or 6.38% from 2020 contribution)

# 2021 Fire Allocation

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## Contracted Townships are meeting at various times in October

- Determine if they'll continue to receive service from the Milton Fire Department
- If there are changes to the coverage area
  - Fire Commission would need to determine how to handle any potential funding shortfalls
  - Asked to provide signed contracts no later than November 16

# 2021 Budget Construction

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2020 Budget TAX LEVY	\$ 3,411,097
Employee relations:	\$ 53,443
Non-property tax revenue increase:	\$ (76,482)
Operational expenditures:	<u>\$ 25,999</u>
PRELIMINARY 2021 Budget TAX LEVY	\$ 3,414,057

# Operational Changes

## Employee Relations

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### **Employee Relations:**

1% wage increase non-protective employees	14,502
1% contractual wage increase protective employees	6,628
WRS increase for protective employees	869
Health insurance increase and plan changes	<u>31,444</u>
	<b>53,443</b>



# Operational Changes

## Revenue Sources

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### ***Non-property tax revenue decrease/(increase)***

Payment from water utility	(30,000)
Computer aid	(17,382)
Other state aid (shared revenue, ERP, PP aid)	(3,839)
Road aid	(9,380)
Building permits	(60,000)
Interest income	42,500
Other	1,619
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	(76,482)

The increase in contracted building inspection fees revenue is offset with \$60,000 in additional expenses in the DPW budget. The net impact to the levy is \$0.

# Operational Changes

## Operational Expenditures

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### ***General Gov't - increase / (decrease)***

Information technology	10,000
Worker Comp, liability, property insurance	15,900
Retiree & OPEB funding	(7,240)
City offices expenses	(2,400)
Assessor services	14,800
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	31,060

### ***Public Safety - increase / (decrease)***

Police Department	-
Fire Department	24,639
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	24,639

# Operational Changes

## Operational Expenditures

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<b><i>DPW - increase / (decrease)</i></b>	
Contracted building inspection	60,000
Snow & ice operating supplies	(5,630)
Street lighting	<u>(9,600)</u>
	44,770
<b><i>Transfer - increase / (decrease)</i></b>	
Debt service	<u>(60,300)</u>
	(60,300)
Other expenditures	(14,170)
<b>TOTAL OPERATIONAL CHANGES</b>	<b><u>(50,483)</u></b>
Total changes increases / (decreases) to levy	<b><u>2,960</u></b>
<b>PROPOSED 2020 LEVY (2021 BUDGET)</b>	<b>3,414,057</b>

The increase in contracted building inspection fees is offset with \$60,000 in additional revenue. The net impact to the levy is \$0.

The proposed 2020 levy (2021 budget) needs to be reduced by \$12,534 to comply with the levy limit



# Non-Profit 2021 Request

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Per Council Policy #4, The Gathering Place and the Milton House both submitted budget requests by August 31, 2020. The chart below outlines the historical amounts that have been funded along with their 2021 requests. The proposed budget includes a \$10,000 to each entity. Non-profits will be presenting to the Common Council on November 4<sup>th</sup>.

	<u>2016 Funding</u>	<u>2017 Funding</u>	<u>2018 Funding</u>	<u>2019 Funding</u>	<u>2020 Funding</u>	<u>2021 Request</u>	<u>2021 Amt in Budget</u>
Gathering Place	\$ 10,000	\$ 5,798	\$10,000	\$10,000	\$10,000	\$15,000	\$ 10,000
Milton House	\$ 10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$20,000	\$ 10,000
	\$20,000	\$15,798	\$20,000	\$20,000	\$20,000	\$35,000	\$ 20,000

The City of Milton also provides bi-weekly payroll processing for the Gathering Place in addition to the direct financial support. Over the years, the City has worked with the Milton House utilizing façade grants and other funding to help with building/property improvements.

# 2021 Draft Budget

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## Budget Goals:

- ✓ Balanced Budget
- Stay within levy limits
- ✓ Qualify for expenditure restraint
- ✓ No reductions in service
- ✓ No new levy supported borrowing



# Budget Unknowns

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- The Fire Department allocation will not be finalized until we hear back from the contract Townships.
  
- Assessment Ratio is unknown (impacts the calculating of the tax rate)
  - This will be known in mid/late November
  - Does **NOT** effect the levy that is passed by Council
  
- Certified CPI for final calculation for ERP.
  - Should be available by October 31



# Budget Options

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- The presented budget will need to be reduced by \$12,534
  - Budget reduction options\*:
    - Capital allocation (streets, equipment, buildings, etc.)
    - Employee relations (wage reduction, health insurance contribution increase)
    - Non-profit allocations
    - Contingency
    - Other administrative operational expenses
    - Other

*\*It is important to note, that any reduction to any of the above items is likely a reduction into perpetuity.*

# Draft Budget Takeaways

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- The City of Milton will collect less taxes in 2021 than in 2020.
- Maintains current service levels.
- Compensates all employees with same increase.
  - No change in percentage paid on insurance premiums.
- Maintains capital and infrastructure funding levels.
- General fund expenditures increase by 1.56%.
- This budget qualifies for State expenditure restraint but not imposed levy limits at this point.
- This budget has no new tax levy supported borrowing component.
  - Currently 23.2¢ of every City Tax Dollar collected goes to debt service (once the levy reaches the state imposed limit).



# Budget Schedule

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Approve Budget <u>Publication</u>	Publish Budget <u>Budget</u>	Public Hearing <u>Hearing</u>	Approve Budget <u>Budget</u>
20-Oct	29-Oct	17-Nov	1-Dec