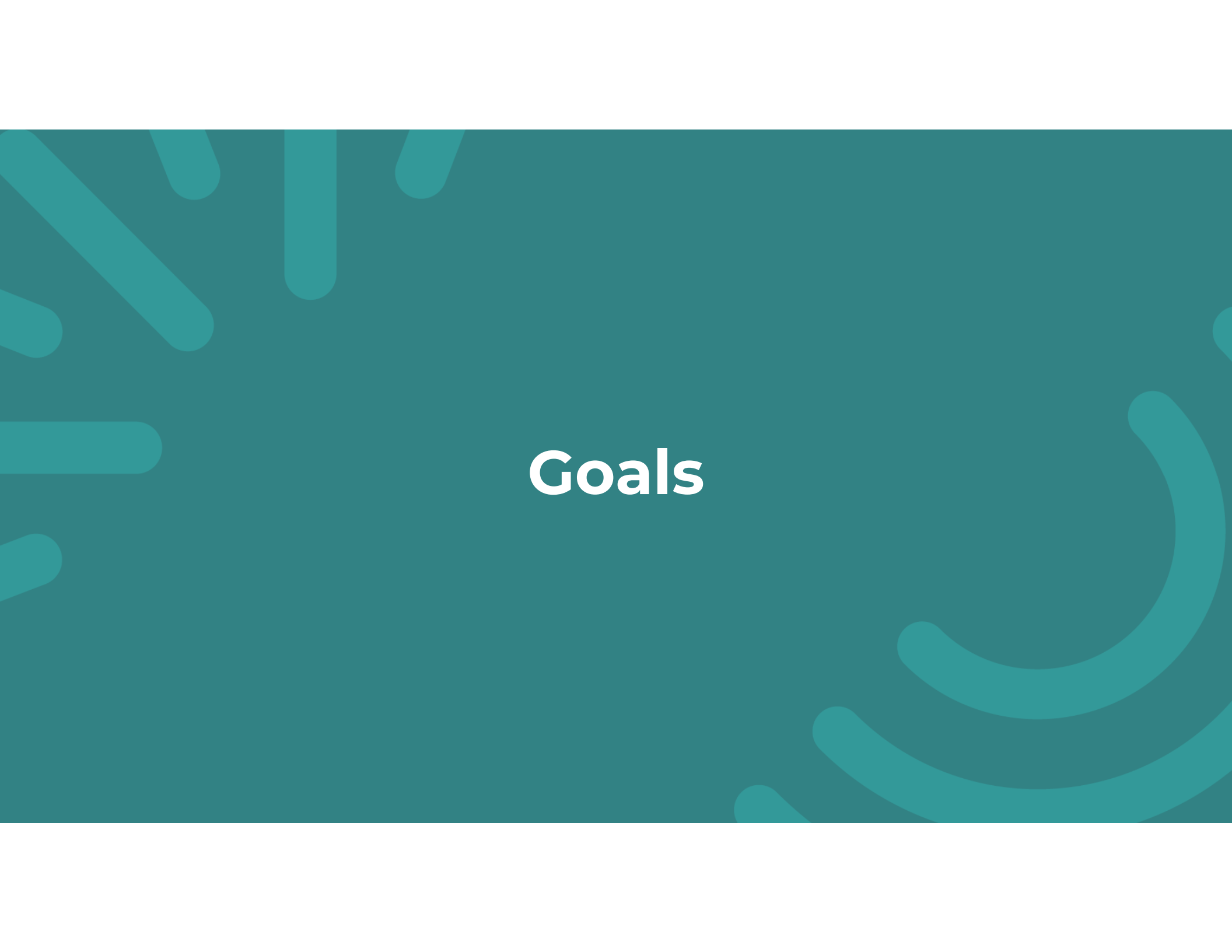




2024 – 2028 Financial Management Plan



The background is a solid teal color. It features several abstract, organic shapes in a slightly lighter shade of teal. On the left side, there are several elongated, rounded rectangular shapes of varying lengths and orientations. On the right side, there are larger, curved, concentric-like shapes that resemble stylized waves or parentheses. The overall aesthetic is modern and minimalist.

Goals



Executive Leadership Priorities:

1. Maintaining competitive compensation & benefits
2. Implement structural budget fixes that reflect our operational needs
3. Build & maintain service levels

5-year FMP Organizational Goals:

1. Building organizational capacity
2. Transform into a high-performance and data-driven organization
3. Future proof our organization



WHILE:

1. Complying with all City financial policies
2. Maintaining the Council directive of an annual tax increase of 3% on the average single-family home
3. Strengthening the City's financial position
4. Honoring prior Council Commitments

The background is a solid yellow color. It features several abstract, light-yellow shapes. On the left side, there are several straight, rounded rectangular bars of varying lengths and orientations. On the right side, there are several concentric, curved lines or arcs, also in varying lengths and orientations. The overall design is minimalist and modern.

Assumptions



REVENUE:

- State Aid remains the same as the 2023 plus the additional \$890K for public safety as outlined in 2023 WI Act 12
- All other revenues remain the same as 2023 budget for the five years

EXPENSES:

- 2023 partially funded positions are fully funded in 2024 and thereafter
- Annual wage increase of 6% to represent cost-of-living adjustment and step increase (non-union)
- Minimal increases in the purchase of goods and services (1% to 3%)
- Implementation of Fire/EMS consolidation

TAX BASE:

Residential Growth

- Incorporated a conservative estimate of the 5-year average of growth

Commercial Growth

- Incorporated a small amount of commercial property growth in the tax base
- Closure of TID no. 8 and TID no. 9 – both open for one additional year for affordable housing

10-YEAR CAPITAL IMPROVEMENT PLAN:

Implemented as presented on June 20, 2023

The background is a solid orange color. It features several abstract, rounded, brushstroke-like shapes in a slightly darker shade of orange. These shapes are scattered across the frame, with some appearing as straight lines and others as curved arcs, primarily concentrated on the left and right sides, leaving the center more clear for the text.

Significant Drivers



Significant Drivers of the '24-'28 FMP:

- Cost-to-Continue
 - Employee wages (union and non-union) & benefits
- Initiatives
 - Consolidation of Fire and EMS Department which includes compensation of fire staff at market rate and the transition to 24/48 shifts
 - Expansion of the Library (increased expenses for collection, building and operations)

The background of the slide is a solid light green color. It is decorated with several abstract, overlapping geometric shapes in a slightly darker shade of green and yellow. These shapes include straight lines of varying lengths and thicknesses, some with rounded ends, and large, sweeping curved lines that resemble parts of circles or ellipses. The overall effect is a modern, clean, and dynamic design.

2024-2028 Proposed Financial Management Plan



2024 Budget

- Consolidation of the Fire and EMS department including the operation of a 3rd City ambulance
- Full implementation of 2022 class and compensation plan (adjustments approved by Council on 6/6/23)
- Begin ongoing support to the Media Center Fund to offset costs associated with production of city programming including meeting coverage
- 10% increase in health insurance premium expense to maintain status quo employee benefit contribution levels and offerings
- Allocation of funding for the hiring of new positions:
 - Police Officer (1 FTE)
 - Paramedic (1 FTE)
 - Career Firefighter (2 FTE)
 - PW Utility Marking Technician
 - Assistant Court Clerk
- One-time funding for:
 - SP Youth Baseball Complex Fencing (\$200,000)
 - Pet Exercise Areas Enhancements (\$250,000)
 - City Strategic Plan (\$25,000)
 - HR Retirement Succession Planning (\$15,000)
 - Park Planning (\$30,000)

Proposed Staffing Plan

2024: 5.5 FTE

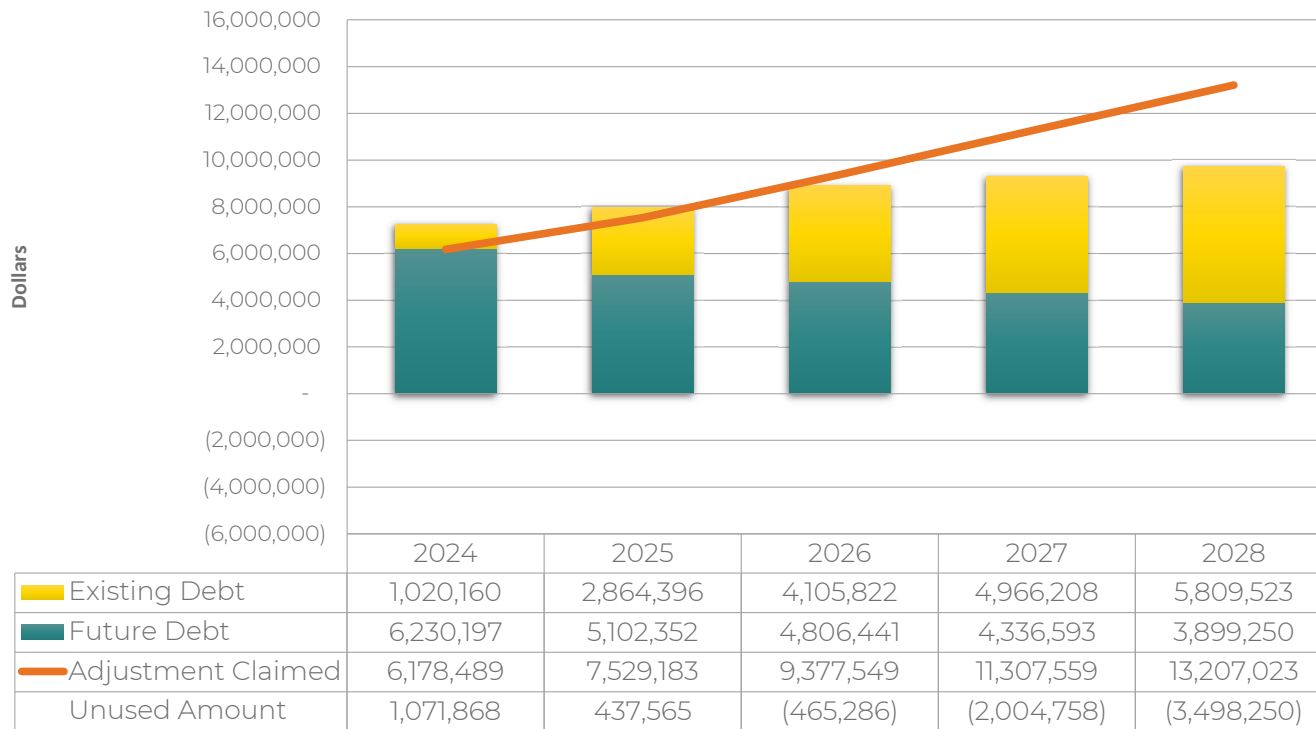
- Police Officer (1 FTE): \$101,962
- Paramedic (1 FTE): \$109,326
- Career Firefighter* (2 FTE): \$198,774
- PW Utility Marking Technician (1 FTE): \$16,981
- Assistant Court Clerk (0.5 FTE): \$30,358

NOTE: All dollar amounts are expressed as the positions portion funded by the General Fund & assumes January 1st start for all positons.

**The City and Fire Company have applied for a SAFER Grant to assist with the costs associated with these increased personnel expenditures (award notification expected in September)*

Levy Limits:

Base Scenario Projected Debt Service Payment (Non - Abated)
& Levy Limit Adjustment to be Claimed



Staff Assessment:

- 2025: City is anticipated to reach levy limits
- 2026: First city budget under levy limits and we anticipate the general fund will need to find approximately \$500K of expenses efficiencies to stay within levy limits
- 2027: Anticipated need for a referendum for operating expenses.
- 2028: Due to anticipated referendum, we expect this budget to be able to meet levy limits.



What does reaching levy limits mean?

- Previously, we have focused on tax impact on the average single-family home, we will need to shift our focus on the total levy increase (operating and debt)
- WI levy limit law limits the property tax increase the city may implement on parcels
- The maximum annual property tax increase is equal to our annual net new construction
- 5-year net new construction average: 3.56%

	Tax/Budget 2018/2019	Tax/Budget 2019/2020	Tax/Budget 2020/2021	Tax/Budget 2021/2022	Tax/Budget 2022/2023
Net New Construction	4.59%	5.20%	1.78%	2.90%	3.32%
Actual Levy Increase	5.3%	5.1%	3.0%	5.2%	6.1%
\$ amount over/(under) levy limits	\$170,000	(\$35,000)	\$300,000	\$590,000	\$750,000



2025-2028 Budget

- Capped health insurance premium increases to 8% annually
- Increase in Library Fund to allow for the operation of expanded building and programming needs
- Transition of PD Coordinated Response Specialist and Housing & Equitable Development Planner positions to general fund from APRA funding
- Increase in building maintenance and replacement fund to annual contribution of \$200,000
- No additional staff positions forecasted in FMP. All additional staffing will need to be considered during budget adoption process as revenues and expenses allow

Forecasted Net Change to Property Tax Levy

	Tax/Budget 2022/2023 (ACTUAL)	Tax/Budget 2023/2024	Tax/Budget 2024/2025	Tax/Budget 2025/2026	Tax/Budget 2026/2027	Tax/Budget 2027/2028
Operating Levy	\$21,403,208	\$25,077,931	\$26,387,170	\$28,499,858	\$31,169,194	\$33,384,344
Debt Service Levy	\$6,796,436	\$7,205,357	\$7,921,748	\$8,867,263	\$9,257,801	\$9,663,773
Total Levy	\$28,199,644	\$32,673,288	\$34,698,918	\$37,757,121	\$40,816,995	\$43,438,117
Levy Increase	6.1%	17.2%	5.2%	8.0%	9.4%	7.1%
Mill Rate	7.5101	6.9882	7.2499	7.5415	7.7119	7.9707
Average Home Value	\$301,200	\$395,330	\$395,330	\$395,330	\$395,330	\$395,330
City Tax on Average Home	\$2,969	\$2,796	\$2,340	\$2,410	\$2,483	\$2,531
% Tax increase on the average single-family home	3.54%	-6.95%*	2.58%	4.12%**	2.34%	3.42%
\$ Tax increase on the average single-family home	\$78	\$(206)	\$71	\$117	\$69	\$103

*The 2023 Reevaluation process will decrease our mill rate which will decrease in the % tax increase on the average single-family home.

**2026 increase in average single-family home is related to:

- Increase in debt service levy due to the Library Expansion borrowing
- Increase in Library budget for expansion of building (collection, operation and building expense)



Reevaluation Impact on 2024 Mill Rate

- Mill rate is calculated based on **local assessed value**, **state established equalized value**, and **the calculated assessment ratio**.
- State law requires that assessed values must be within 10% of full value (equalized value) every five years.
- Goal is to keep our assessment ratio as close to 100% annually to prevent fluctuation of the mill rate.

	2020	2021	2022	2023
Assessed Value	\$3.79B	\$3.89B	\$4.02B	\$4.94B
Equalized Value	\$3.86B	4.18B	\$4.78B	\$4.99B
Assessment Ratio	96%	93%	84%	99%*
Mill Rate	7.1270	7.3229	7.5101	6.9882*

Assessed Value – Dollar value placed on a parcel by our Assessor’s Office
Equalized Value – Established by the WI DOR and represents the market value, used to create “apples to apples” across the state to apportion shared revenues and other state aids
Assessment Ratio – relationship between the assessed value and the equalized value



Available Tools to assist Communities approaching levy limits:

- Transportation Utility
 - *Has been implemented by: City of Wisconsin Rapids, City of Watertown, City of Neenah, Village of Pewaukee, and Village of Weston*
- Wheel Tax
 - *Has been implemented locally by: Village of Oregon (\$40), City of Madison (\$40), and Dane County (\$28)*
- Explore alternative service delivery
- Evaluation of current service levels
- Grant funding to assist with additional staffing (i.e. Safer Grant)
- Fee recovery analysis
- Ongoing analysis of positions as turnover occurs
- Operating referendum



Operating Referendum

- Levies can be increased above the allowable limits if the amount is approved by referendum
- Council will need to approve a resolution specifying the proposed amount of increase in the levy beyond the amount allowed and state whether it is a one-time or ongoing levy increase
- Sample Language:

*“Under state law, the increase in the levy of the City of Middleton for the tax to be imposed for the **next fiscal year, 2023, is limited to 2.5%, which results in a levy of \$19,781,229.** Shall the City of Middleton be allowed to exceed this limit and increase the levy for the next fiscal year, 2023, for the **purpose of additional police, parks, communications staffing and employment in cost increases by a total of 3.9%, which results in a levy of \$20,551,229,** and on an **ongoing basis, include the increase of \$770,000 for each fiscal year going forward?**”*



Operating Referendums Approved

- Summary of 2023 Budget Referendums (approved in Aug. & November 2022)

Community	Referendum Amount	Purpose
Kenosha	3.3% above levy limits, \$2.5M annually	Additional police & fire personnel
Oconomowoc	16.823% above levy limits, \$2.2M annually	Additional fire protection services
Middleton	3.9% above levy limits, \$770,000 annually	2 Police Officers, 1 Communications Specialist, 1 Parks Crew Member, and 4% wage increase
Shorewood Hills	13.298% above levy limits, \$400,000 annually	1 FT Police Officer, 1 FT Administrative Staff, competitive wage rates for all staff, and Technology improvements



Expenditure Restraint

Budget Year	2024	2025	2026	2027	2028
Payment Year	2025	2026	2027	2028	2029
Forecasted Net New Construction (60%)*	1.70%	1.79%	1.76%	1.73%	1.70%
Forecasted CIP-U Increase	<u>4.40%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>
Maximum Increase to Qualify	6.10%	3.79%	3.76%	3.73%	3.70%
Projected Increase	6.0%**	2.9%	3.7%***	3.5%	6.1%
Qualify	Yes	Yes	No	No	Yes

*Net New Construction capped at 2% under current law

**Move Library and Recreation out of the General Fund

***Move Library and Recreation back into the General Fund

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Discussion