

CITY OF
WATERLOO, WISCONSIN
2021 MUNICIPAL BUDGET
DELIBERATIONS
**Finance, Insurance &
Personnel Committee
Recommended Budget
-- Narrative --**

Mo Hansen, Clerk/Treasurer
October 26, 2020

SUMMARY (Finance, Insurance & Personnel Committee recommended budget)

- The municipal property tax levy as proposed is \$2,009,429, an increase of \$23,713 or 1.1% (this represents the non-Tax Incremental Finance tax levy).
- Estimated municipal rate of taxation is \$10.18 per \$1,000 of assessed value. The prior year tax rate was \$10.03 per \$1,000 of assessed value, a 1.5% change.
- All Governmental Funds (defined as the total less Waterloo Utilities, which are proprietary funds) totals to \$4,776,853 in revenues and \$5,424,037 in expenditures.
- General Fund expenditures are increased by 10%. Expense to fill two vacant police officer positions and expenses relating to employee retirements were General Fund budgetary increases, along with others. Prior year tax levy revenue allocated to debt service was moved to the General Fund.
- The Cable TV Fund budget contains revenues \$747 greater than expenditures for this fund.
- The Fire/EMS Fund is budgeted to spend 52.3% more than the prior year. The leading factor is the purchasing of radios, just less than a \$200,000 expense. The Department is taking on debt to pay for the radios. Principle and interest will be paid in future years.
- The Parks Fund budget shows expenditure increasing from \$332,499 to \$369,094, a 11% increase over the prior year.
- The Debt Services Fund is slated for 2021 expenditures of \$885,778 compared to \$713,922 for the current year budget, a 24.1% increase. In 2021 the City will borrow a projected \$245,000 for police department and fire department radios. Principle and interest for this new debt is deferred until 2022.
- The Capital Project Fund shows expenditures of \$1,217,805, a reduction of \$11,625, over the current year. The road projects include Adams Street improvements.
- Tax Incremental Districts. Expenditures for District #2 (mostly transfers for debt service) are slated for \$203,639, 97% increase over the prior year. Expenses for Tax Incremental District No. 3 are anticipated to increase slightly to \$109,219.
- 2021 Library Fund expenditures are budgeted to decrease from \$434,359 to \$400,490, a 7.8% decrease.

BUDGET DELIBERATION PROCESS

On June 30, 2020 Mayor Quimby issued budget parameters for the process:

- The 2021 municipal property tax levy target is \$1,985,716, the same as the 2020 and 2019 municipal tax levy amounts.
- Departments are to submit a capital plan for the 2021-2025 period. [Note to Department Heads: Alder Thomas has indicated items not listed in the plan will likely not be considered for approval as stand-alone item in the months after budget adoption.]
 1. Department budget submittals (operational and capital) are to cover revenue and expenses for BOTH 2021 and 2022.
- 2021 departmental budget submittals are to:
 1. Total to an amount at or below the overall 2020 budget expenditure figures for each Fund; and be at or below the overall *department expenditure amount* for the Clerk/Treasurer Office, Mayor's Office, Police Department and Public Works Department (and other parts of the General Fund). Increases over 2020 budget figures are limited to increases in staffing levels over the 2020 budget period.
 2. Contain employee 2021 wage figures with totals not exceeding a 2% increase over 2020 figures.
 3. Account for a Waterloo Utilities requested 12% electric rate increase for 2021.
 4. Account for fuel at [US Energy Information Administration's 5-year Seasonal Analysis](#) high point figure of \$2.82 per gallon (see chart below).
 5. Account for contract items per the terms of the respective contracts.
 6. Account for employee health insurance benefit at 2020 amounts with an adjustment up for any staffing level increase over current year.
 7. Account for staffing overlap (meaning: a replacement hires in advance of a retirement).

The Finance, Insurance & Personnel Committee members (Alders Thomas, Kuhl and Rhynes) met in public session on August 20th, September 10th, September 17th, September 22nd, September 29th, October 5th, October 15th and October 22nd. It reviewed department submittals, had a dialogue with department heads and received citizen input.

On October 22, 2020, the Committee is scheduled to recommend a 2021 budget for City Council consideration. A budget summary has been scheduled for publication in the official newspaper, the Courier, on October 29, 2020.

A public hearing is scheduled for November 19, 2020 at 7:00 pm in the Council Chambers. Council consideration will take place the same night. After a budget is approved, property tax bills will be prepared 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.

The General Fund along with the funds listed below represent the Governmental Funds maintained by the City of Waterloo.

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.
- 201-204 Four Impact Fee Funds. All activity in these Impact Fee funds was suspended by 2019 Council action therefore the 2021 budget for them is zero revenues and zero expenditures.
- 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, along with capital expenditure for 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 revenues and expenditures resulting from special assessment projects (typically sidewalk or other public infrastructure) approved by the City Council. Additionally, municipal loans to property owners for private lead service replacements are recorded and tracked in this fund.
- 412, 413, 414 – Tax Incremental Districts 2-4. These three funds maintain and track all new revenue (tax increment) and allowed expenditures for 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. The Waterloo Community Development Authority (CDA) 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.
- 812 – Library Special Revenue Fund. Dedicated to the operations and facility care of the Karl Junginger Memorial Library.

Three City of Waterloo funds not covered here operate under the auspices of Waterloo Utilities (water, sewer and electric) represent the Proprietary Funds maintained by the City of Waterloo.

- Waterloo Utilities. The public utility owned by the City of Waterloo provides water, sewer and electric service within the City of Waterloo and water & sewer service to a portion of the Town of Portland. As part of its financial responsibilities, Waterloo Utilities maintains three separate funds to account for each of these services.

REVENUE HIGHLIGHTS

Allocation of Municipal Property Tax and State Computer Aid. \$157,000 in State Computer Aid is allocated to the Parks Department. \$211,094 is allocated to the Capital Fund. Municipal Tax Levy is allocated as show on the chart below.

CITY OF WATERLOO - 2021-2022 DRAFT BUDGET											
Tax Levy By Fund Trends & Current											
10/26/2020 12:55											
	2016 Tax Levy PY4	2017 Tax Levy PY3	2018 Tax Levy PY2	2019 Tax Levy PY1	2020 CurrYrAct	2020 CurrBudget	2020 CurrProjected	2021 Submit	2021 Finance	Trends	% Change 2021 Finance vs. 2000 Curr
General	1,225,102	952,827	952,119	833,762	908,017	905,514	910,000	905,514	1,087,276		19.7%
Cable TV	-	-	-	-	-	-	-	-	-		-
Fire & EMS	243,931	269,464	269,464	271,917	280,746	280,746	-	280,746	279,464		-0.5%
Parks	-	52,750	52,750	84,000	84,000	84,000	84,000	91,400	91,400		8.8%
Debt Service	484,936	95,000	104,500	456,920	505,664	505,664	-	338,385	338,385		-33.1%
Capital	220,584	368,466	371,466	140,000	-	-	-	140,000	-		-
Special Assessment	-	-	-	-	-	-	-	-	-		-
Community Development	-	-	-	-	4,650	4,650	-	4,650	4,650		0.0%
Library	-	210,842	221,400	200,000	205,142	205,142	205,142	212,254	208,254		1.5%
Sub-Total	2,174,553	1,949,349	1,971,699	1,986,599	1,988,219	1,985,716	1,199,142	1,972,949	2,009,429		1.1%
	2016 Tax Levy PY4	2017 Tax Levy PY3	2018 Tax Levy PY2	2019 Tax Levy PY1	2020 CurrYrAct	2020 CurrBudget	2020 CurrProjected	2021 Submit	2021 Finance	Trends	
Tax Incremental Dist. #2	-	45,628	60,894	43,357	51,248	60,894	-	81,435	81,435		58.9%
Tax Incremental Dist. #3	26,841	23,680	31,104	18,973	89,163	102,403	102,403	87,995	87,995		-1.3%
Tax Incremental Dist. #4	-	15,917	22,007	21,170	25,891	22,007	22,007	22,007	28,120		8.6%
Sub-Total	26,841	85,226	114,006	83,500	166,302	185,304	124,410	191,437	197,550		18.8%
Total	2,201,394	2,034,575	2,085,705	2,070,100	2,154,522	2,171,020	1,323,552	2,164,386	2,206,979		2.4%

Municipal Vehicle Registration Fee. In September of 2020, the City Council voted to continue a \$15 per vehicle registration fee collected as part of the Wisconsin Department of Transportation vehicle registration process. The fee will generate an estimated \$47,000 annually which by state law would be dedicated to transportation improvements. In 2021 the fee funds a portion of the capital budget which includes the reconstruction of Adams Street.

Municipal Borrowing. The budget calls for 2021 borrowing of an estimated \$245,000 to fund the purchase of radios for the police department and fire department. A first payment on these long-term debt proceeds will not be made until 2022.

State Aids.

- Shared Revenue. Is slated for a 2.4% decrease, from \$464,393 to 453,259.
- General Transportation Aid. Historically, this aid was dedicated for road improvement projects. For this budget \$15,752 is allocated to the General Fund, the remainder, 237,244 is allocated to the Capital Fund.
- DNR Recycling Aid is projected to remain at \$12,379.

Facility Charge by General Fund to Cable TV Fund. The proposed budget maintains an annual transfer from the Cable TV Fund (200) to the General Fund (100) covering the cost of cable station utilities and other facility expenses at \$4,200.

Tax Incremental District #2 - Revenue. Anticipating a modification of the existing developer agreement with Hawthorn & Stone Inc. for 2021, revenues are projected from that source at \$50,000.

EXPENDITURE HIGHLIGHTS

- **Police Department Staffing.** Additional hiring in 2021 to fill previously unfunded and vacant positions. This

amounts to an 12% increase in wages and roughly 10% increases in social security, retirement expenses. The additions generate an increase of 51.7% for health insurance premiums for this department.

- Retiree Health Insurance Payouts. Employees with at least 15 years of service may at retirement convert accrued sick leave to post-retirement health insurance coverage. With three retirements in the budget year, the anticipated expenditure for the budget year is: \$64,332, up from zero the prior year. \$38,000 in previously reserved revenue will be applied in the General Fund to pay for this expense with the balance coming from tax levy.

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

- Two percent wage increases for non-represented employees except for the Parks Coordinator; Parks Bartenders and Election Officials. Election Officials are slated for an increase from \$7.73 per hour to \$10.00.
- Employees covered under the collective bargaining agreement (Police Patrol officers) receive a 2% increase per the terms of the three-year contract approved in 2020.

- Employee Benefits. The City Council added a vision benefit with all premium costs paid by employees electing to accept this benefit.

The City offers employees a health insurance benefit program administered through the State of Wisconsin Department of Employee Trust Funds. The employer pays 88% of the average premium costs of qualified Tier 1 health plans within Jefferson County.

- Liability Insurance, Property Insurance and Worker's Compensation Insurance. Amounts vary across departments but in the aggregate insurance premiums for liability, property and worker's compensation are not expected to increase. The arrival of new assets such as the new Fire Department Truck is an example of one anticipated increase.

Economic Development. \$25,000 of the Clerk/Treasurer's salary is an expense for Tax Incremental District No. 2.

ADDITIONAL HIGHLIGHTS – BY FUND AND DEPARTMENTS

- Waterloo Fire Department (220). In the aggregate, 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) remained the same as the previous year. The distribution of the respective shares changed slightly due to changes in the equalized value of property. For the 2021 budget the City of Waterloo tax share shrunk from \$280,746, to \$279,464, a 0.5% decrease.

The Department has two full-time employees and more than thirty paid volunteers. The 2021 budget includes greater funding to bring on additional long-term part-time employment.

The Department annually sets-aside dollars for major purchases. This sum is \$110,000. But for 2021, total revenues greater than expenditures is budgeted to generate only an excess of \$89,624.

- Parks Department – Revenue Fund (225). Proposed revenue is slated to decrease 7.7% to \$419,003, from the prior year. Expenditures are expected to increase 11%. After a transfer of \$25,000 from the Capital Fund to the Parks Fund the projected 1/1/2022 fund balance is -10,802.

Major revenue sources for this department are budgeted as follows:

- State Computer Aid: \$157,000
- Municipal property taxes, \$91,400;
- Alcohol sales, \$22,500;
- Park rentals, \$35,500
- Transfer from Capital Fund, \$25,000

The Department has a full-time Parks Coordinator, two part-time seasonal grounds-keepers and seasonal bartenders.

- Debt Service (300). Governmental fund debt service (non-Utility) is budgeted to pay principal of \$779,422 and interest of \$106,356. Revenue is transferred from tax incremental finance districts to this fund to specifically cover debt service incurred by the respective Districts. Taxes are levied to specifically cover debt service for capital projects.

- Capital Projects (400). The proposed budget allocates \$211,094 in State Computer Aid and \$0 (zero) in tax levy to fund projects. All General Transportation Aid, \$242,244 and Wheel Tax, \$47,000 are also dedicated to funding capital projects.

Reconstruction of Adams Street is the projected expenses, estimated at \$684,940 for construction and \$68,494 in engineering and contingency expense. These figures do not include Waterloo Utilities Adams Street project expenses.

Please see budget report title: [Five-Year Capital Improvement Program 2021-2025](#) for project details.

- Special Assessment Fund (402). This fund tracks special assessments and lead loan program loans. No new special assessments are anticipated.

- Tax Incremental District #2 (412). Revenue of \$134,245 is made up primarily of tax increment and fees paid in lieu of taxes from the assisted living project and 565 West Madison Street project, The assisted living facility and the Waterloo Tech Center. For this budget \$69,394 in fund balance is applied to bring all revenues in balance with expenditures. Top three expenditures consist of principle and interest payments, \$103,350; improvements to 203 East Madison Street, \$71,489; and a portion of the Clerk/Treasurer's salary, \$25,000.

- Tax Incremental District #3 (413). \$109,219 in revenue and \$95,528 in expense are projected, adding a net of \$13,691 to 1/1/2022 fund balance. Expenditures are for debt service. Identifying a future and facilitating a private re-use at 333 Portland Road is a primary District objective.

- Tax Incremental District #4 (414). Due to the construction of the Dollar General Building located in this district, 2021 tax increment revenue is projected at \$28,120. No major expenditures are budgeted at this time.

- Community Development Authority District #1 (600). Projected revenue consists of tax levy and building rental fees. Expenditures are focused on operation of the Mauneshia Business Center at 117 East Madison.

- Karl Junginger Memorial Library (812). The municipal contribution to this fund increased from the 2020 budgeted amount, 1.5% to \$208,254. With planned library capital improvements budgeted at \$15,000, this fund has an anticipated deficit of \$19,093 a figure which off-set by \$19,093 in applied fund balance brings the fund into balance.

DISCLAIMER

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