

CIP and Financial Policies

Committee of the Whole

5/22/24

Purpose of Tonight's Presentation

- o City Finances and Budgeting
 - o Background on terminology and theory
 - o Historical context on sources and uses of funds
 - o Purpose on budget and CIP
- o Budget constraints
 - o Optional expenditure restraint program
 - o State imposed levy limits
 - o State imposed maintenance of effort
 - o Adopted financial policies
- o Comparative data resources
- o CIP process and next steps




City Finances and Budgeting

Governmental Accounting is Different

- Focus on expenditures and service levels (not profit focus)
- Modified accrual basis accounting (not cash basis nor accrual basis accounting)
- Fund accounting (mini sets of books within overall books)
- Fixed assets are responsibilities (not method to generate future revenue)
- Annual Comprehensive Financial Report (ACFR) and other specialized terminology

*if interested in further details, please reach out!

What is a Fund?

Fund Type	Purpose	Primary Source of Funds	Examples
General Fund	Account for the majority of the City's activities including general government, public safety, public works, leisure, etc (aka junk drawer)	Property Taxes	Only one
Special Revenue Funds	Account for the City's activities that are funded by a specific, separate revenue	Library Levy Grants/Donations Room Taxes User Fees	Library Transit, Grants CEDA Refuse/Recycling
Debt Service Fund 	Account for the principal and interest payments on the City's externally issued debt	Property Taxes	Only one
Capital Projects Funds 	Account for the City's capital projects (primary fund for CIP projects)	Property Taxes	Capital Projects TID
Enterprise Funds 	Account for the revenues and expenses of the City's "business-like" functions	User Fees	Water Utility Sewer Utility Stormwater Utility
Internal Service Funds	Account for services provided to other departments or agencies on a cost-reimbursement basis	MPSIS Reimbursement Insurance Dividends Charges to Departments	Technology Insurance

Terminology

- General Obligation (G.O.) Notes/Bonds – money borrowed by the City that is secured by the full faith and credit of the municipality
 - Tax Exempt + Secure = Low Rates
- Fund Balance – the difference between governmental assets (what we have) and governmental liabilities (what we owe)
 - Similar concept to “equity”
 - Doesn't consider fixed assets or long-term debt
- Net Position – similar to fund balance except it includes fixed assets and long-term debt; more similar to corporate accounting

Terminology

- Property Tax Levy – the total amount of property taxes that the City needs to collect in order to support the services we intend to provide during the year
 - $\text{Costs} - \text{Other Revenues} = \text{Property Tax Levy}$

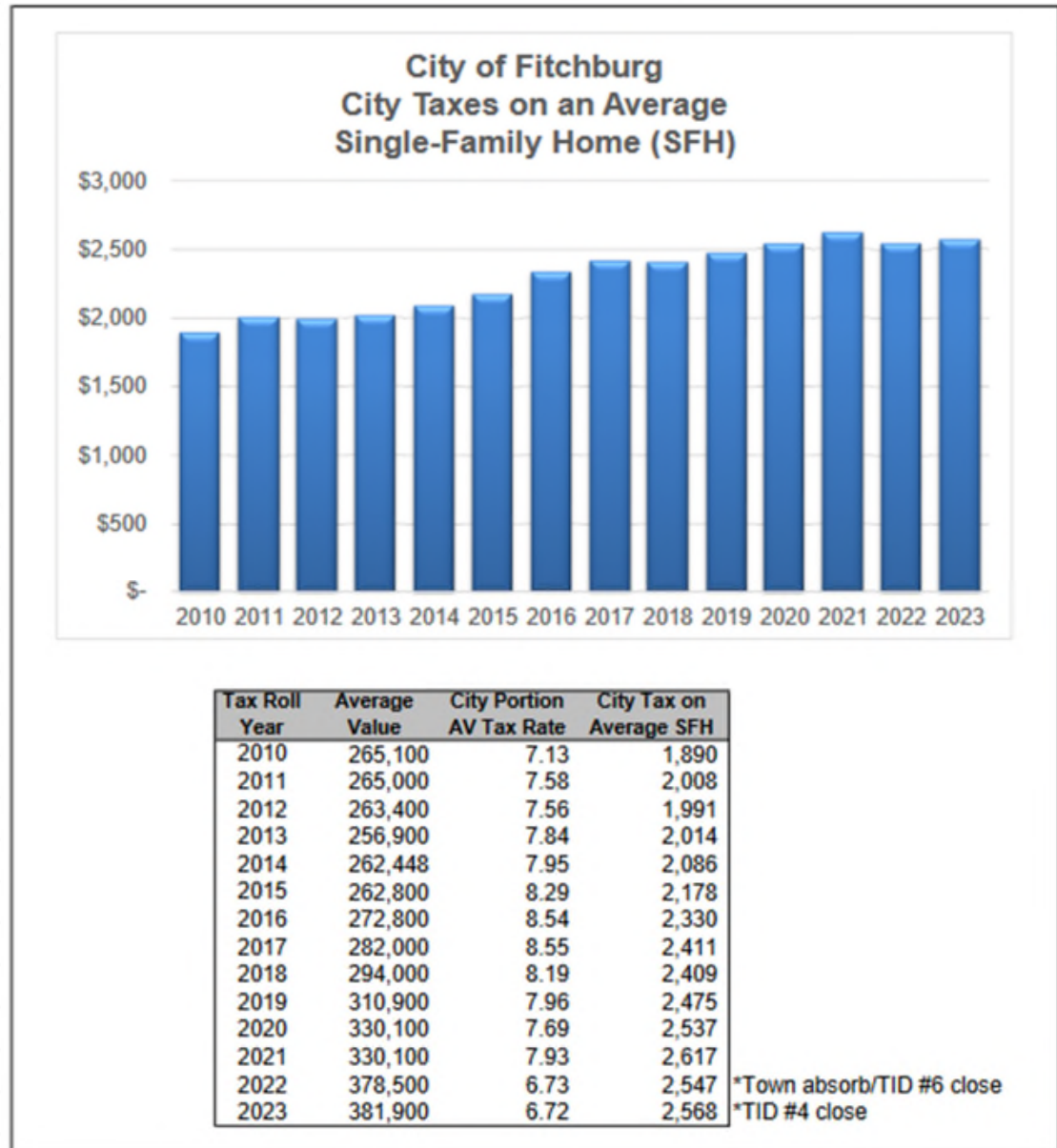
Terminology

- Assessed Value (AV) Tax Rate – the dollar amount per \$1,000 in assessed value that the City collects for our purposes
 - Last year's AV tax rate, City-only = \$6.7232
 - City taxes on a \$381,900 house (average)
 - $\$381,900 / 1,000 * \$6.7232 = \$2,568$ in City property taxes
 - \$214 / month for City services
 - Prior year: $\$378,500 / 1,000 * \$6.7284 = \$2,547$
 - City taxes on a \$115,400 multi-family apartment (average)
 - $\$115,400 / 1,000 * \$6.7232 = \$776$ in City property taxes
 - \$65 / month for City services
 - Prior year: $\$122,000 / 1,000 * \$6.7284 = \$821$

City Taxes on Average Home

Source: Adopted 2024 Budget (page 15). Also available on the City's website.

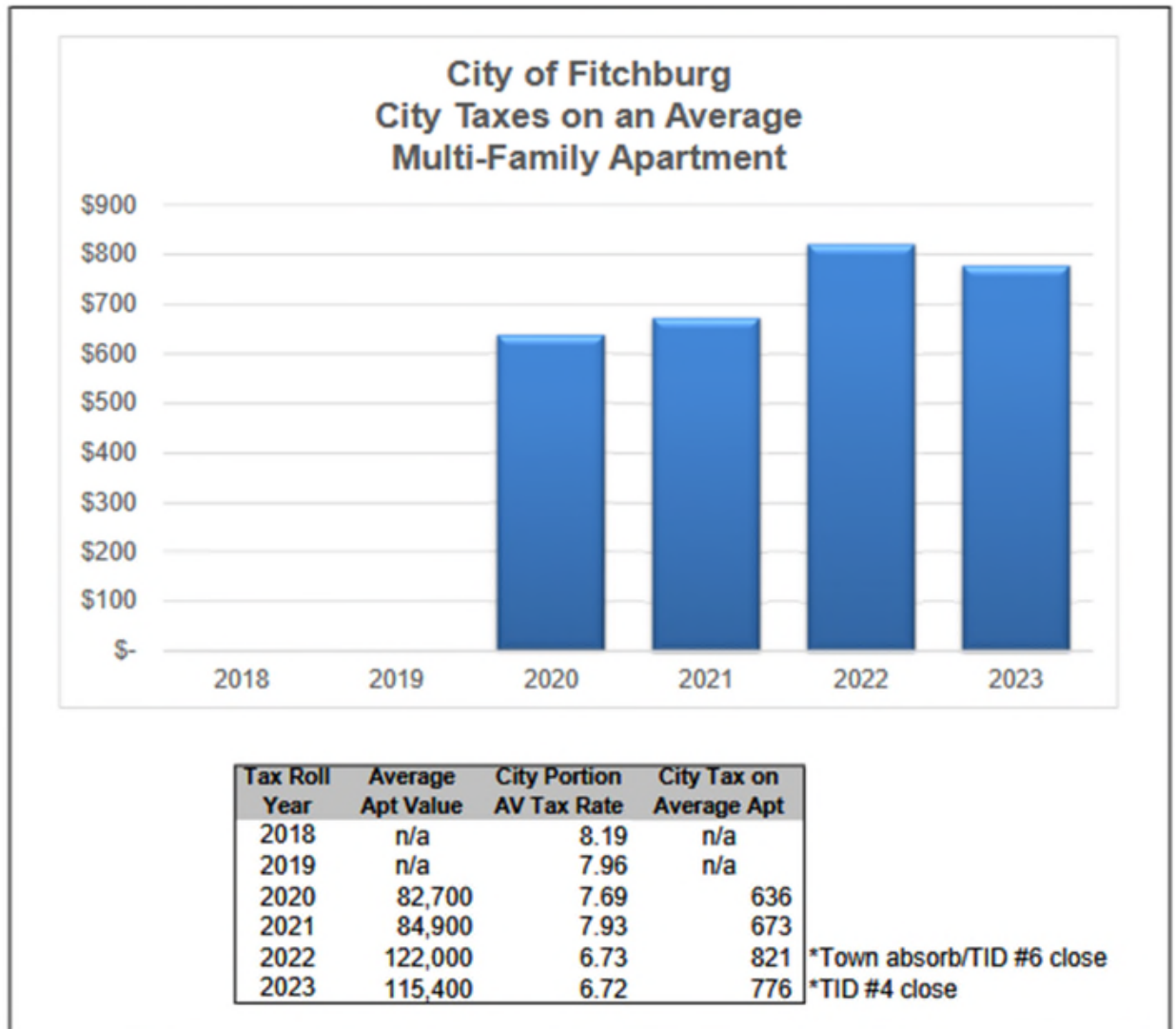
<http://www.fitchburgwi.gov/1998/Financial-Records-Reports>



City Taxes on Average Multi-Family Apartment

Source: Adopted 2024 Budget (page 16). Also available on the City's website. Newly provided information so building up to 10 years.

<http://www.fitchburgwi.gov/1998/Financial-Records-Reports>



Property Taxes by Function

Source: Adopted 2024 Budget (page 14)

<http://www.fitchburgwi.gov/1998/Financial-Records-Reports>

Note: 2022 tax roll (2023 budget) is complicated due to the absorption of a portion of the Town of Madison on 10/31/22. The amounts included above are for the combined values of both groups of properties (1/1/22 Fitchburg + 1/1/22 Town).

	Budget 2022		Budget 2023		Budget 2024	
General Fund Tax Levy	18,352,861		19,338,941		20,074,291	
General Fund Budget	24,494,311		27,020,559		31,429,275	
Assessed Value	3,950,211,400		4,825,991,080		4,956,474,500	
Average Home Assessed Value	330,100		378,500		381,900	
Service Area:						
General Government:						
Mayor & Council	80,471	5.04	83,163	4.67	89,088	4.38
Municipal Court	191,801	12.01	199,087	11.18	209,022	10.29
Administration, Legal, HR	907,467	56.82	1,126,418	63.23	1,255,773	61.80
Clerk	519,386	32.52	536,098	30.09	679,364	33.43
Finance	473,716	29.66	836,325	46.95	859,347	42.29
Assessing	589,103	36.89	604,838	33.95	635,099	31.26
Public Safety:						
Police (including MPSIS)	8,971,103	561.71	9,561,795	536.73	10,033,078	493.76
Fire	3,404,212	213.15	3,661,447	205.53	4,144,283	203.95
Other Public Safety	1,159,221	72.58	1,243,022	69.77	1,288,461	63.41
Building Inspection	423,728	26.53	559,171	31.39	596,260	29.34
Mass Transit	620,000	38.82	0	-	0	-
Public Works	2,355,312	147.47	2,667,395	149.73	2,800,806	137.84
Senior Center	793,932	49.71	835,712	46.91	885,899	43.60
Parks Department:						
Parks	1,286,311	80.54	1,412,446	79.28	1,494,612	73.55
Recreation	345,770	21.65	381,320	21.40	438,968	21.60
FACTv	-	-	440,103	24.70	453,646	22.33
Zoning & Planning	404,397	25.32	393,963	22.11	452,523	22.27
Economic Development	306,132	19.17	323,222	18.14	464,718	22.87
Other General Fund	1,662,249	104.08	2,155,034	120.97	4,648,328	228.76
Total General Fund	24,494,311	1,533.67	27,020,559	1,516.73	31,429,275	1,546.73
FACTv		12.97		-		-
Transit		-		43.34		54.34
Library		171.55		170.25		178.35
Debt Service		376.78		352.69		415.32
Capital Projects		157.39		175.66		187.59
Tax Increment District		364.69		288.04		185.26
City Tax on Average Home		2,617.05		2,546.71		2,567.59

Property Taxes by Function

Source: Adopted 2024 Budget (page 16)

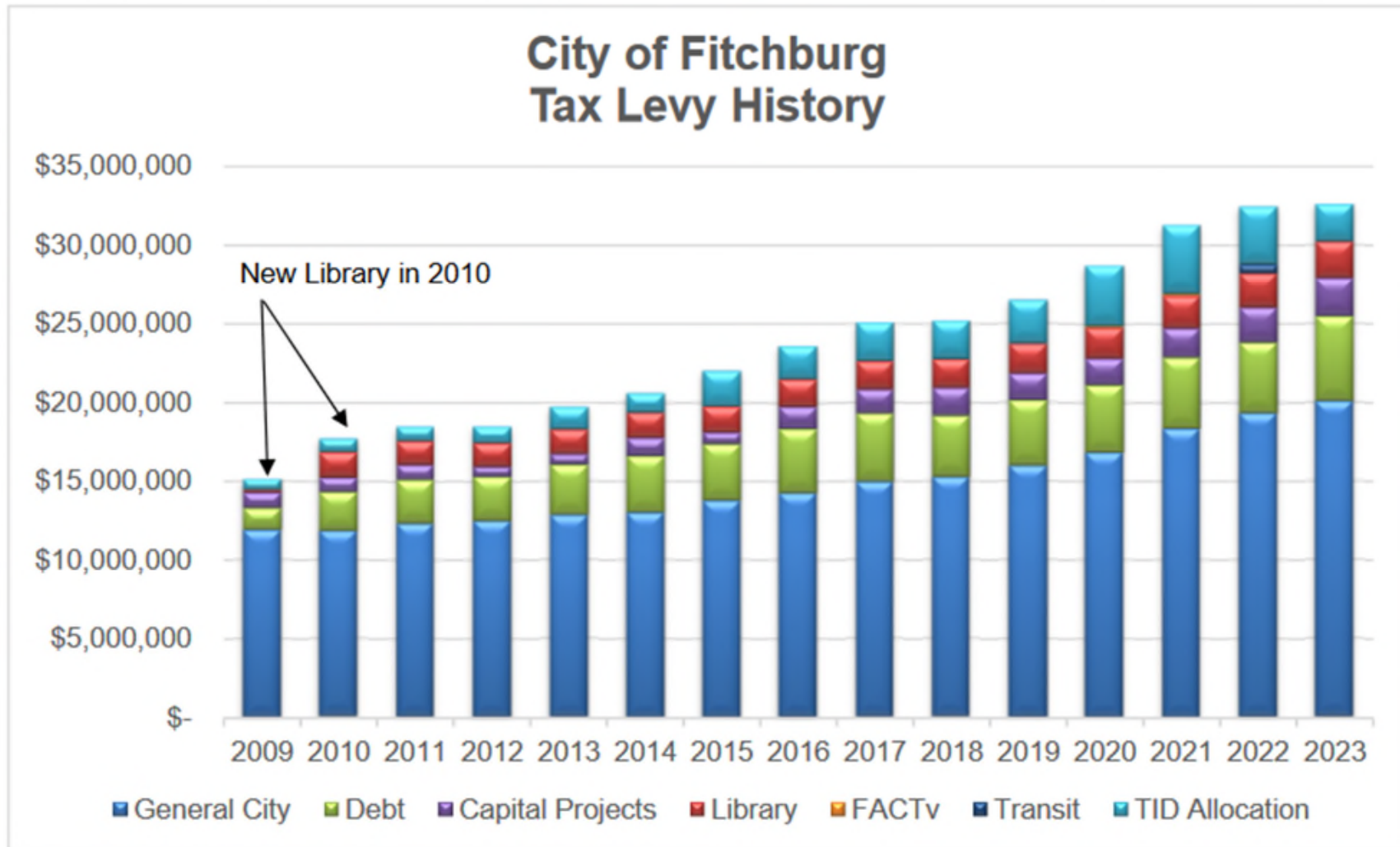
<http://www.fitchburgwi.gov/1998/Financial-Records-Reports>

Note: 2022 tax roll (2023 budget) is complicated due to the absorption of a portion of the Town of Madison on 10/31/22. The amounts included above are for the combined values of both groups of properties (1/1/22 Fitchburg + 1/1/22 Town).

	Budget 2022		Budget 2023		Budget 2024	
General Fund Tax Levy	18,352,861		19,338,941		20,074,291	
General Fund Budget	24,494,311		27,020,559		31,429,275	
Assessed Value	3,950,211,400		4,825,991,080		4,956,474,500	
Average Rental Unit Assessed Value	84,900		122,000		115,400	
Service Area:						
General Government:						
Mayor & Council	80,471	1.30	83,163	1.50	89,088	1.32
Municipal Court	191,801	3.09	199,087	3.60	209,022	3.11
Administration, Legal, HR	907,467	14.61	1,126,418	20.38	1,255,773	18.67
Clerk	519,386	8.36	536,098	9.70	679,364	10.10
Finance	473,716	7.63	836,325	15.13	859,347	12.78
Assessing	589,103	9.49	604,838	10.94	635,099	9.44
Public Safety:						
Police (including MPSIS)	8,971,103	144.47	9,561,795	173.00	10,033,078	149.20
Fire	3,404,212	54.82	3,661,447	66.25	4,144,283	61.63
Other Public Safety	1,159,221	18.67	1,243,022	22.49	1,288,461	19.16
Building Inspection	423,728	6.82	559,171	10.12	596,260	8.87
Mass Transit	620,000	9.98	0	-	0	-
Public Works	2,355,312	37.93	2,667,395	48.26	2,800,806	41.65
Senior Center	793,932	12.79	835,712	15.12	885,899	13.17
Parks Department:						
Parks	1,286,311	20.71	1,412,446	25.56	1,494,612	22.23
Recreation	345,770	5.57	381,320	6.90	438,968	6.53
FACTv	-	-	440,103	7.96	453,646	6.75
Zoning & Planning	404,397	6.51	393,963	7.13	452,523	6.73
Economic Development	306,132	4.93	323,222	5.85	464,718	6.91
Other General Fund	1,662,249	26.77	2,155,034	38.99	4,648,328	69.13
Total General Fund	24,494,311	394.45	27,020,559	488.88	31,429,275	467.38
FACTv		3.34		-		-
Transit		-		13.97		16.42
Library		44.12		54.88		53.89
Debt Service		96.90		113.68		125.50
Capital Projects		40.48		56.62		56.68
Tax Increment District		93.80		92.84		55.98
City Tax on Average Multi-Family Apartment		673.09		820.87		775.85

Property Tax Levy History

(based on tax roll year)



Source: Adopted 2024 Budget (page 21)

<http://www.fitchburgwi.gov/1998/Financial-Records-Reports>

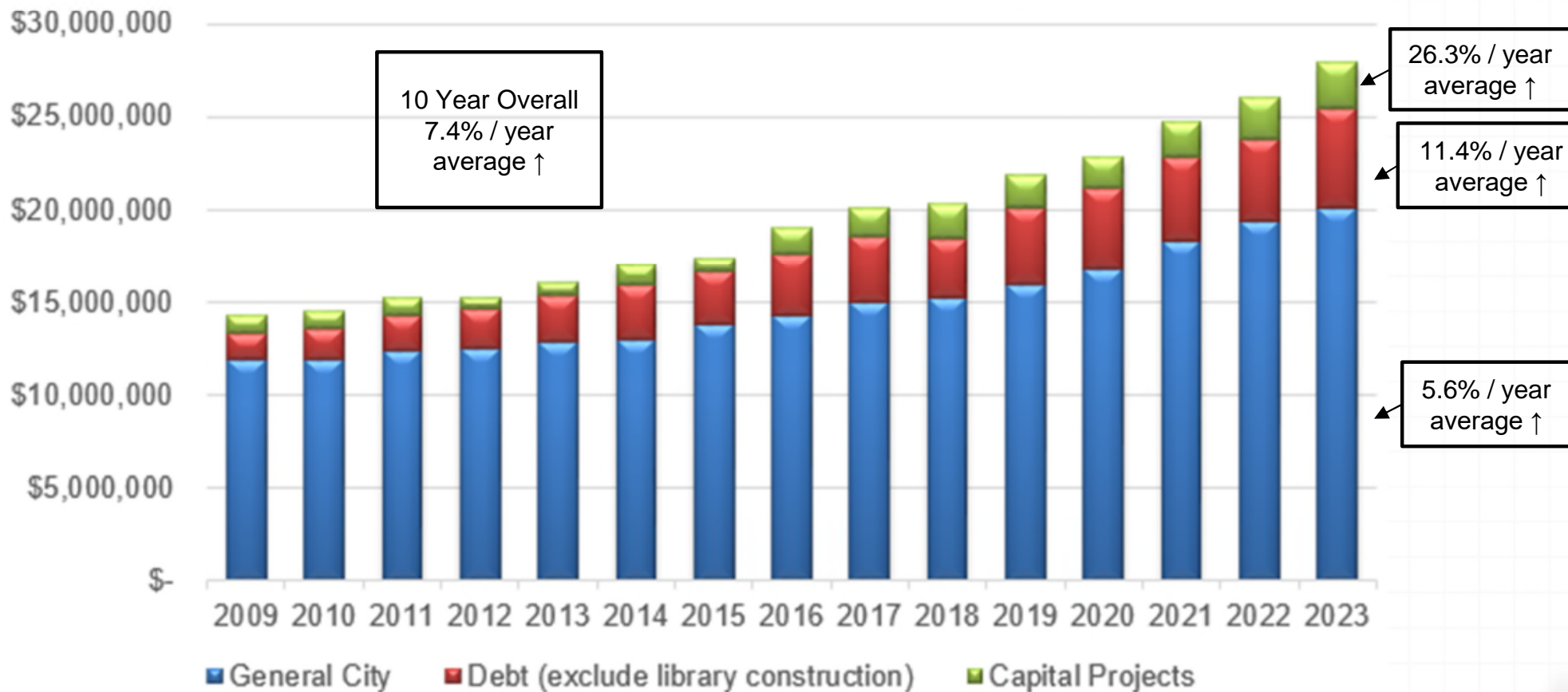
Note: TIF 101
presentation at July 2018
COW available on FACTv

Property Tax Levy History

(based on tax roll year)

Red and Green Bars
Are Focus of CIP

City of Fitchburg Tax Levy History (excluding TID/Library/FACTv)

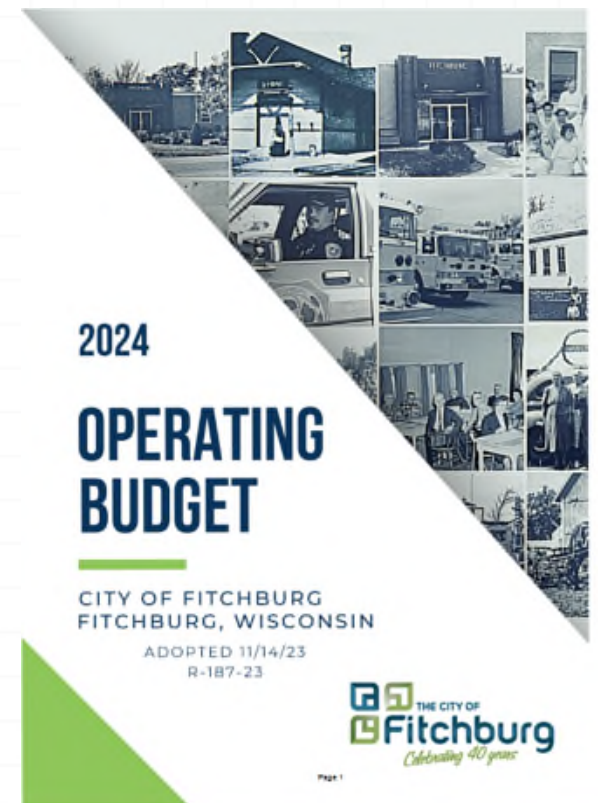


Repeal of Personal Property Tax as of 1/1/24

- o Full repeal of personal property tax as of 1/1/24 (last PP bill in 2023)
- o Benefits of repeal
 - o Eliminates significant administrative burden in PP tax (880 PP tax bills in 2023)
 - o Information gathering and valuation by Assessing
 - o Tax bill creation, mailing, and collection by Treasurer
 - o Bad debt collections by Finance
 - o Eliminates City absorption of all PP bad debt, even though only ~1/3 of bad debt was money for City purposes
 - o Average \$10K / year in last 10 years written-off
 - o Current additional exposure: \$33K
- o New state aid program designed to backfill untaxed amounts so lost tax revenue will not be shifted to other property owners
- o Will likely want to follow process to recertify base values for existing TIDs

Purpose of an Annual Budget

- The annual budget determines the services the City will provide and how they will be funded
 - Level of Service = Cost/Expenditures
 - How to Fund (state aid, fees, taxes, etc) = Revenues
- Sets the property tax levy needed to fund the services identified
 - The tax levy is then allocated to property owners on their tax bills



Purpose of a Capital Improvement Plan (CIP)

- Capital costs are largest individual costs
 - \$10K+ individually OR group of items
 - \$50K+ infrequent replacement
 - 5 year life
- Projects future financial outlook
 - 10 years of capital projects
 - “Back 5” are placeholders/un-vetted
- Assumed changes in expense and revenue categories
 - Assumed growth percentages
 - Debt service requirements for existing and planned
- Baseline context before beginning operating budget

City of Fitchburg, WI
Capital Improvement Program (CIP)
2021 thru 2025

EXPENDITURES AND SOURCES SUMMARY

Department	2021	2022	2023	2024	2025	Total
Admin		353,250	278,700	95,011	96,361	823,322
Admin - FACTV (able)	36,350	17,500	2,500	117,600	2,700	176,650
Admin - Technology	66,600	66,600	66,600	66,600	148,600	434,000
Assessing	15,000	2,500	2,575	27,952	5,484	53,511
Building Inspection	7,300	7,540	7,796	7,999	8,209	38,844
GIS	100,322	103,352	113,262	119,660	130,160	566,726
Finance				100,000	800,000	900,000
Fire Department	72,218	1,060,506	69,259	918,937	94,896	2,223,419
Library	27,318	28,138	218,982	29,851	115,747	420,036
Parks, Recreation, and Forest	58,000	58,000	60,000	197,000	364,000	736,000
Police Department	208,360	3,507,044	18,577,879	18,527,675	366,005	37,222,000
Public Works - B&O	184,470	190,709	182,205	217,091	228,541	1,002,195
Public Works - General	612,135	1,369,643	652,877	610,628	736,303	4,151,796
Public Works - Sewer	400,000					400,000
Public Works - Storm	1,062,132	1,008,245	2,479,660	435,575	4,473,542	8,479,257
Public Works - Streets	18,852,762	1,531,824	1,510,441	3,809,036	2,454,707	23,260,870
Public Works - Water	4,534,872	67,418	60,040	267,742	1,820,524	6,600,596
Senior Center	1,910	1,967	2,028	2,087	2,149	10,139
EXPENDITURE TOTAL	21,489,592	9,485,968	22,335,189	22,695,344	11,678,737	88,664,230

Source	2021	2022	2023	2024	2025	Total
Assessed (non-vol, non-debt)	61,362	66,729	67,074	100,437	67,810	363,429
Borrowing (non-vol, GO debt)	8,448,000	4,857,210	18,305,000	18,005,000	968,400	40,607,710
Capital Property Tax Levy	1,808,058	1,997,222	2,341,582	2,442,860	2,598,991	11,190,617
Contribution From Other Entities	435,200	69,000	66,500	620,000	67,000	1,457,400
Expenditure Restrain	625,000	600,000		500,000	500,000	2,225,000
Grants/Donations (non-vol)	762,850	66,000	66,500	79,000	138,000	1,122,350
Other (donor/levy)	20,000	25,000	30,000	35,000	40,000	150,000
Project Fund Balance Applied	66,600	66,600	636,600	118,600	66,600	1,016,000
Sale/Trade In (inv)	3,500	12,000	24,000	17,000	16,500	79,000
Sale/Trade In (non-key, non-vol)	2,000	7,000	21,000	198,500	17,200	156,700
SIF - Cable Fund (transfer)	5,000	17,500	2,500	117,800	2,700	145,300
SIF - Fund Balance Applied			160,000		66,000	226,000
SIF - Park Improve/ Dedication Fees					62,000	62,000
SIF - Refuse and Recycling Fund	0	0	0	0	0	0
TIF #10	324,000					324,000
TIF #13	60,000					60,000

Budget Constraints

Taxpayer Ability/Willingness to Pay
Optional Expenditure Restraint Incentive Program (ERIP)
State Imposed Levy Limits
Maintenance of Effort (MOE)
Adopted Financial Policies

Taxpayer Ability/Willingness to Pay

Taxpayer Ability to Pay

- Most of the City's budget is backed by property taxes
- City portion of property tax bill is about 1/3

- Can taxpayers afford increased taxes?
- Are taxpayers willing to pay increased taxes?

Optional
Expenditure Restraint
Incentive Program (ERIP)

Expenditure Restraint (History of the Program)

Wisconsin Department of Revenue
Division of Research and Policy
October 24, 2016

EXPENDITURE RESTRAINT PAYMENT

The expenditure restraint payment (ERP) provides unrestricted aid to qualifying municipalities that limit growth in spending. The payment is in addition to aid paid under the county and municipal aid program. Counties do not qualify for payments under this program.

Originally called the tax rate disparity program, the ERP program was enacted in 1990 in response to criticism that the state shared revenue program for municipalities encouraged municipalities to increase spending (at the time, aid payments were partially dependent on spending). The ERP payment was meant to break this connection by targeting aid to high-tax rate communities that restrain spending growth.

A municipality originally qualified for the payment if its municipal-purpose tax rate was greater than the state average municipal tax rate, its equalized value per capita was less than 120% of the state average, and its operating budget had grown by no more than inflation plus 3%.

In 1994, the equalized value per capita limitation was removed, the qualifying tax rate was set at five mills, and the operating budget restraint was replaced with a general fund restraint. Municipalities now qualify for a payment if their municipal-purpose tax rate is in excess of five mills and if they limit their general fund budget increase to no more than inflation plus a growth factor.

Since 2003, funding for the program has been set at \$58,145,700.

Source: <https://www.revenue.wi.gov/DORReports/16erp.pdf> (outdated)

Expenditure Restraint

(How to Qualify)

- o Municipal Purpose Property Tax Rate >5 mills (EV)
 - o Fitchburg – \$5.813 in 2022
- o General Fund Expenditures (including transfers out and property taxes within other funds) cannot exceed:
 - o 60% of net new construction (max of 2%)
 - o + CPI increase 9/1 thru 8/31

- o Hold Harmless provision for 2024 budget
- o ERIP is a factor when preparing CIP but not a focus

Expenditure Restraint (City's Policy)

- o The City has a specific policy on how to apply the Expenditure Restraint Incentive Program aid to reduce our reliance on the funding
 - o Year 1 – qualify based on budget year 1
 - o Year 2 – receive ERIP aid payment in year 2
 - o Year 3 – apply prior year's ERIP aid payment to year 3 capital levy

Expenditure Restraint

(History of the Program - City)

Eligibility Based On Budget Year	Aid Received in Year	Applied to Budget Year	Amount
2024	2025	2026	\$656,667 (hold harmless)
2023	2024	2025	\$656,667
2022	2023	2024	\$751,590
2021	2022	2023	\$654,668
2020	2021	2022	\$600,054
2019	2020	2021	\$624,467
2018	2019	2020	\$671,266
2017	2018	2019	\$632,989
2016	2017	2018	\$-0-
2015	2016	2017	\$507,742
2014	2015	2016	\$501,314
2013	2014	2015	\$456,846
2012	2013	2014	\$482,105
2011	2012	2013	\$447,514
2010	2011	2012	\$217,508
2009	2010	2011	\$184,106
2008	2009	2010	\$-0-
2007	2008	2009	\$-0-
2006	2007	2008	\$220,887

Could have been \$340K (TID closure)

Many other municipalities did not qualify

Did not qualify:
 * Structural deficits from 2015 public safety position adds
 * 2 FT Firefighters

New Library caused higher taxes

State Imposed Levy Limits

Levy Limits

(What are levy limits)

- o State Statute requirement
- o “Levy Limits provide the maximum amount a town, village, city, and county may implement as a property tax levy on parcels within their boundaries”

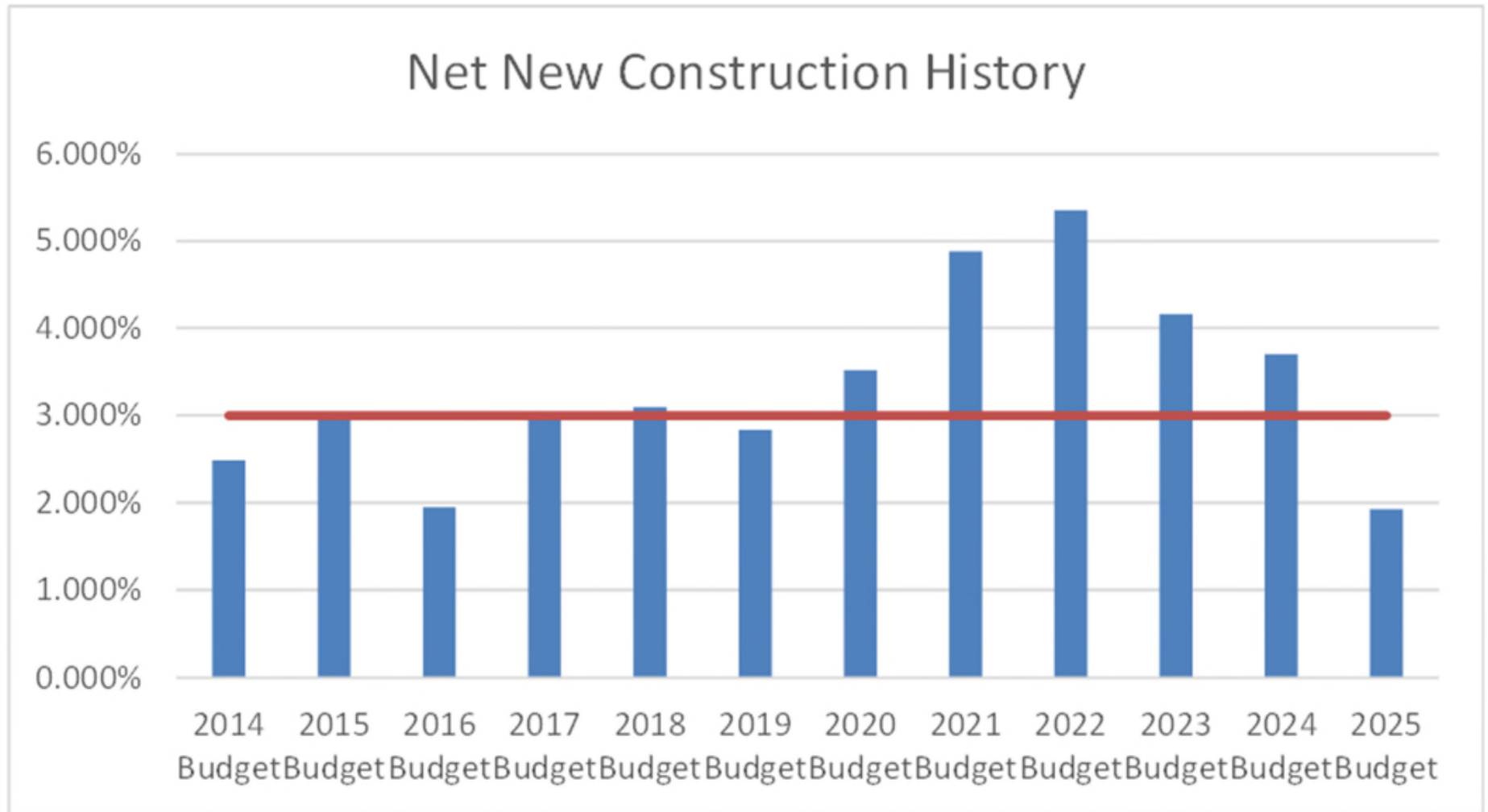
Levy Limits

(Penalty for Exceeding)

What is the penalty for exceeding the levy limit?

The penalty is a loss of shared revenue. This is a **dollar for dollar penalty**. **Example:** If a municipality exceeds its levy limit by \$1,000.00, its state shared revenue payment is reduced by \$1,000.00. If the penalty amount is greater than the state shared revenue amount for that year, the remaining penalty amount is deducted from subsequent state shared revenue payments **until the penalty is paid in full.**

Levy Limits (Future Budgets)



Levy Limits (Future Budgets)

Levy Limits

Expenditure
Changes

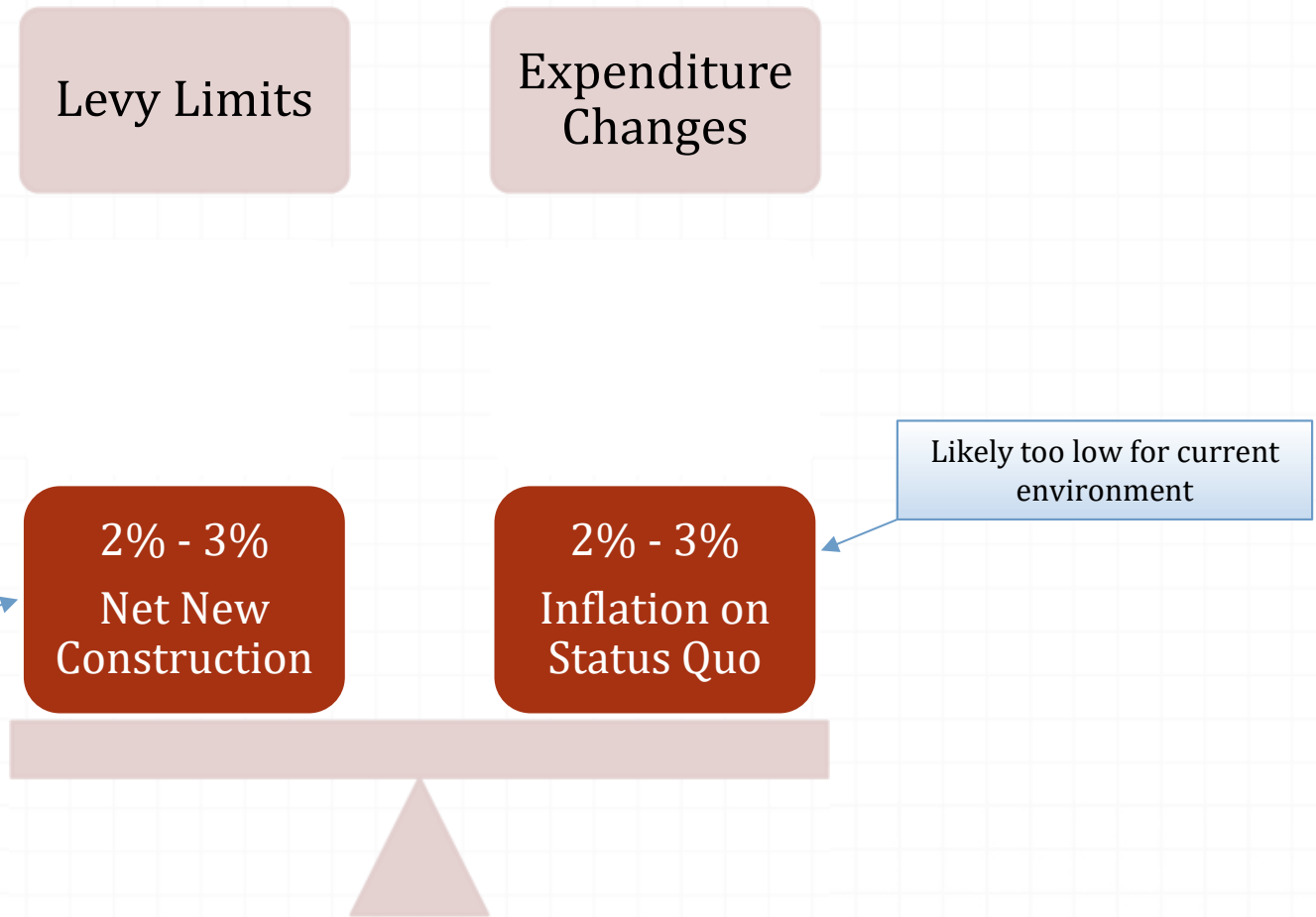
2% - 3%
Net New
Construction

2% - 3%
Inflation on
Status Quo

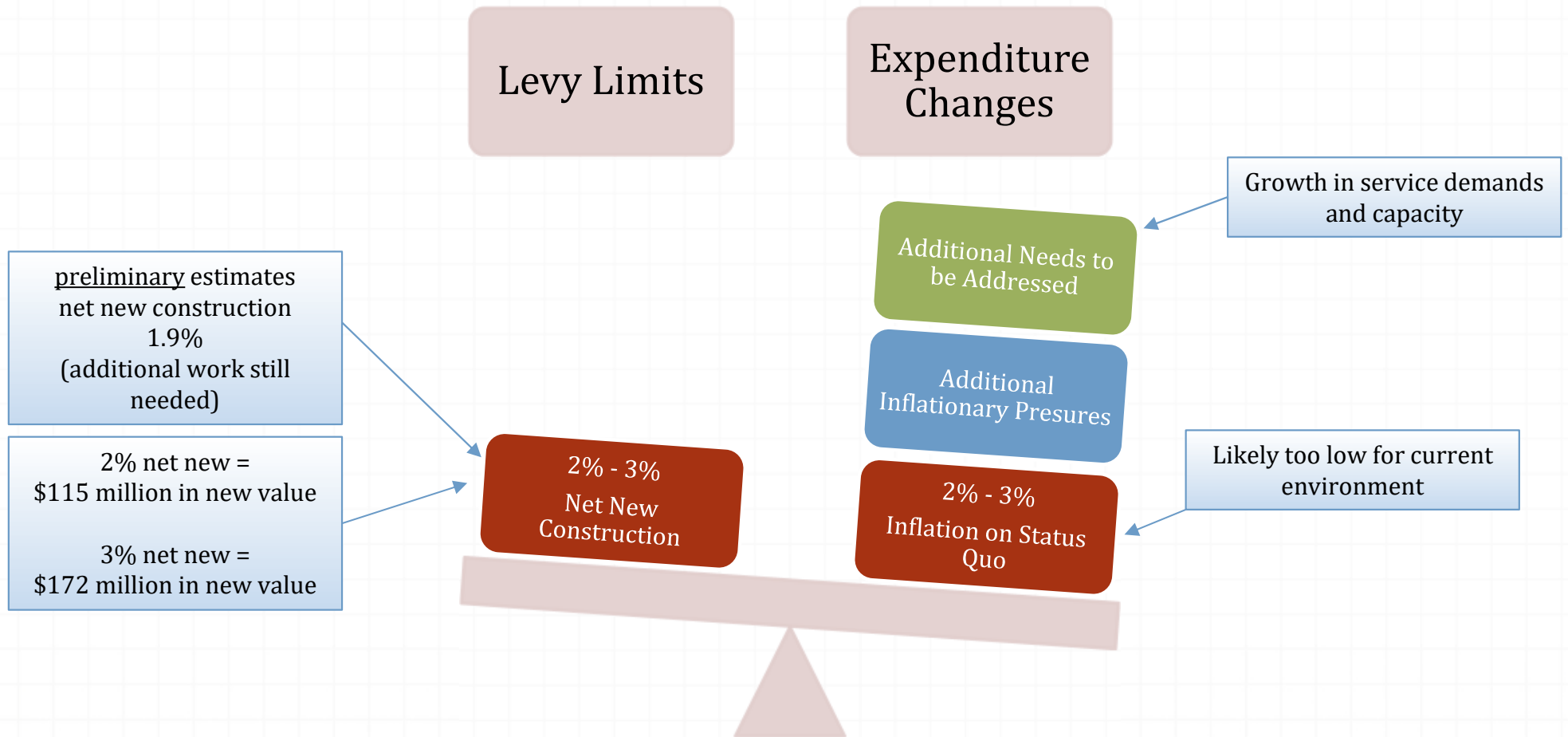
2% net new =
\$115 million in new value

3% net new =
\$172 million in new value

Likely too low for current
environment



Levy Limits (Future Budgets)



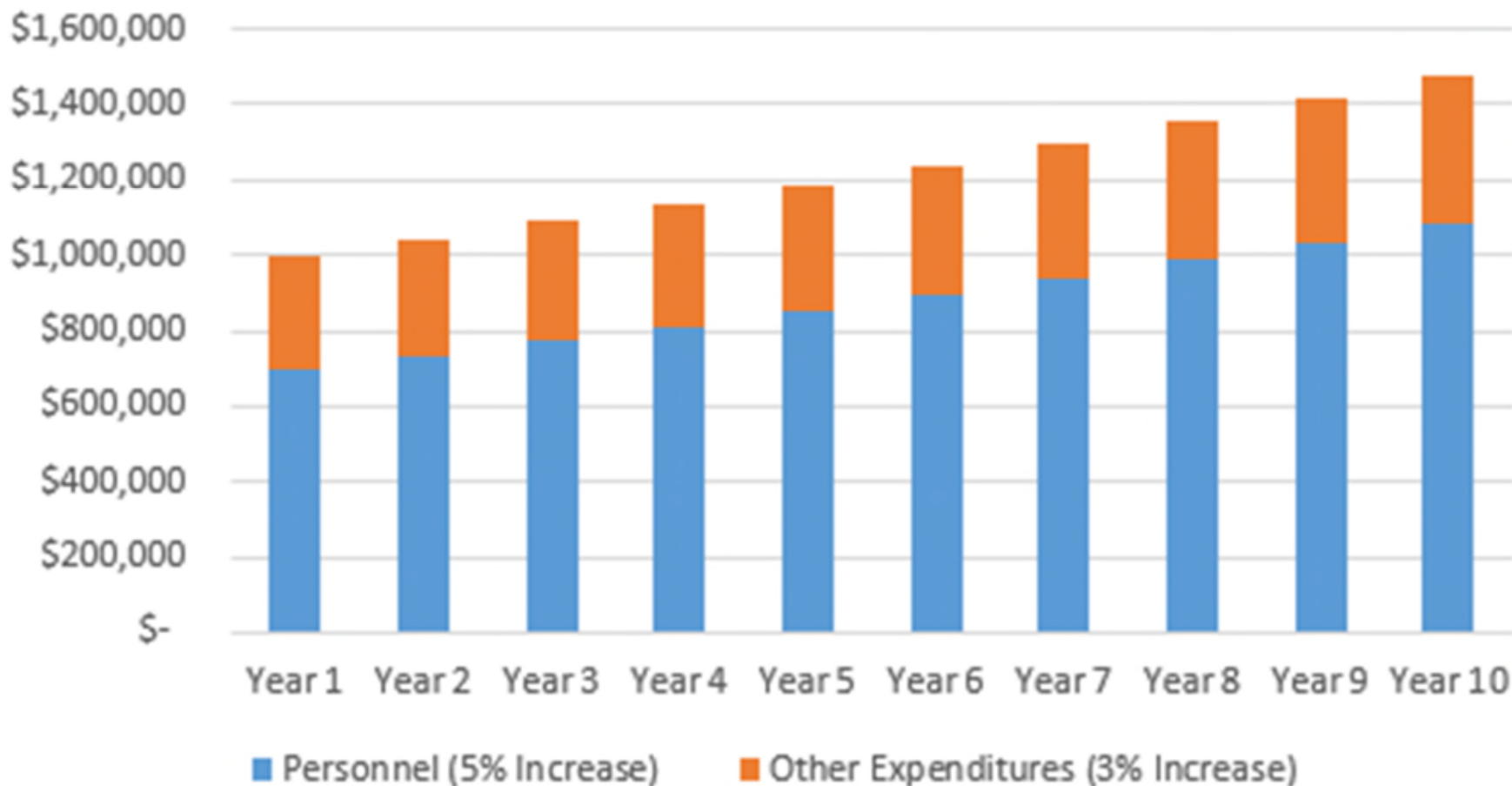
Levy Limits

- o As net new construction lags inflation, it will be increasingly difficult to meet status quo financial commitments
- o It is important to make responsible and strategic financial decisions when levy limits or other revenues have capacity to avoid even harder decisions when levy limits or other revenues have less capacity

Levy Limits Example

Status Quo Cost Increases

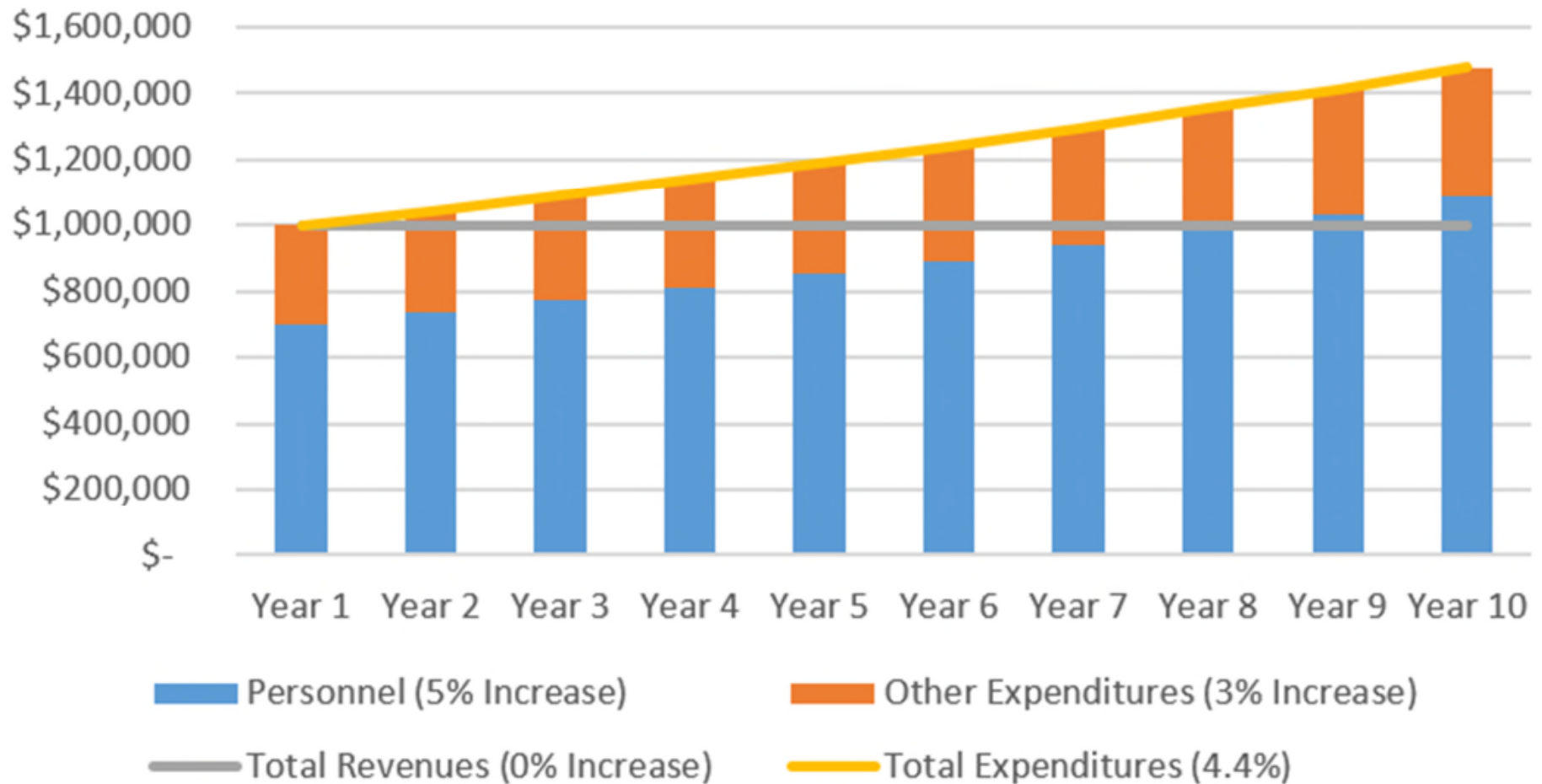
City Expenditures



Levy Limits Example

Status Quo Cost Increases

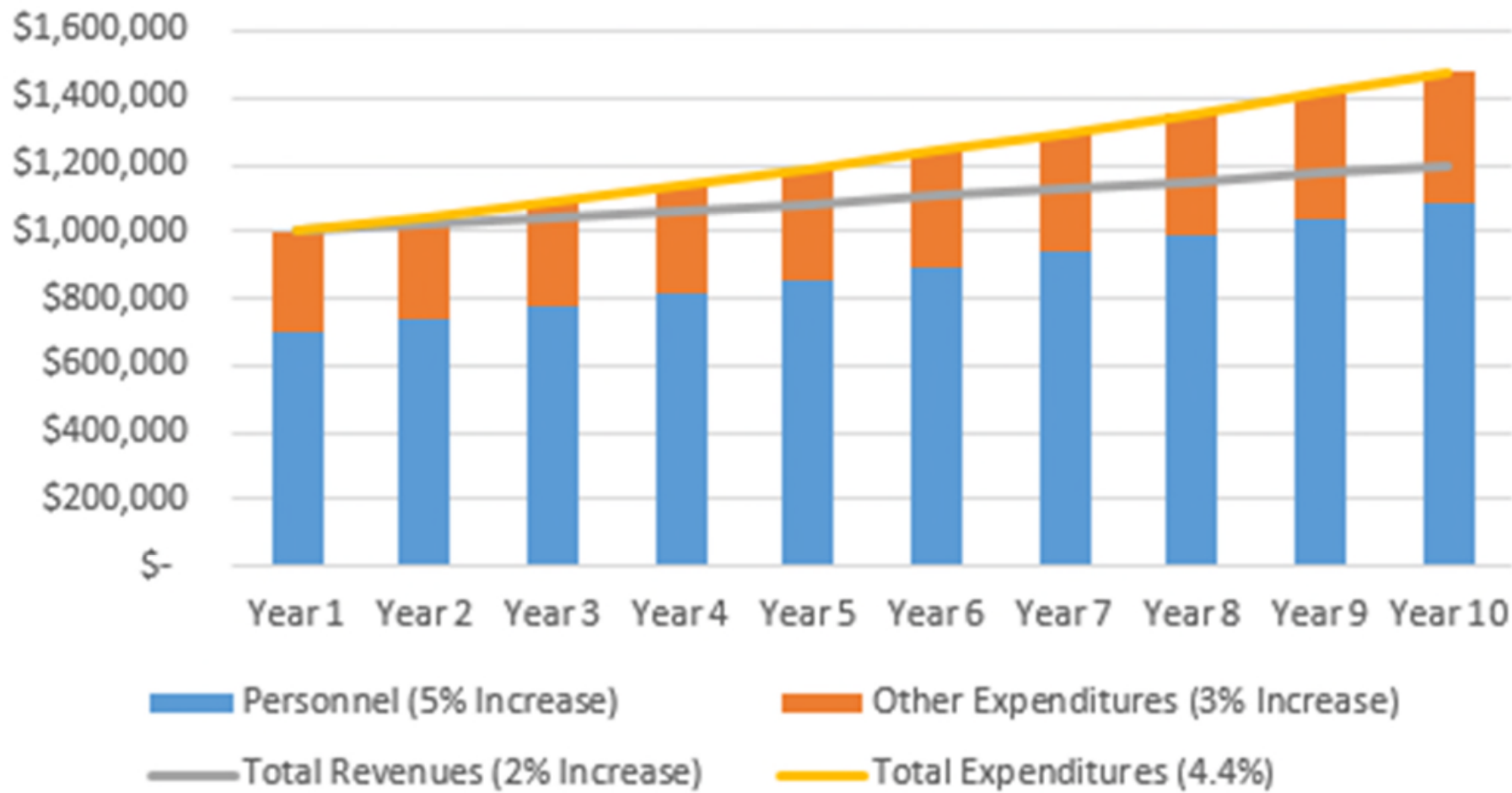
City Revenues vs. Expenditures



Levy Limits Example

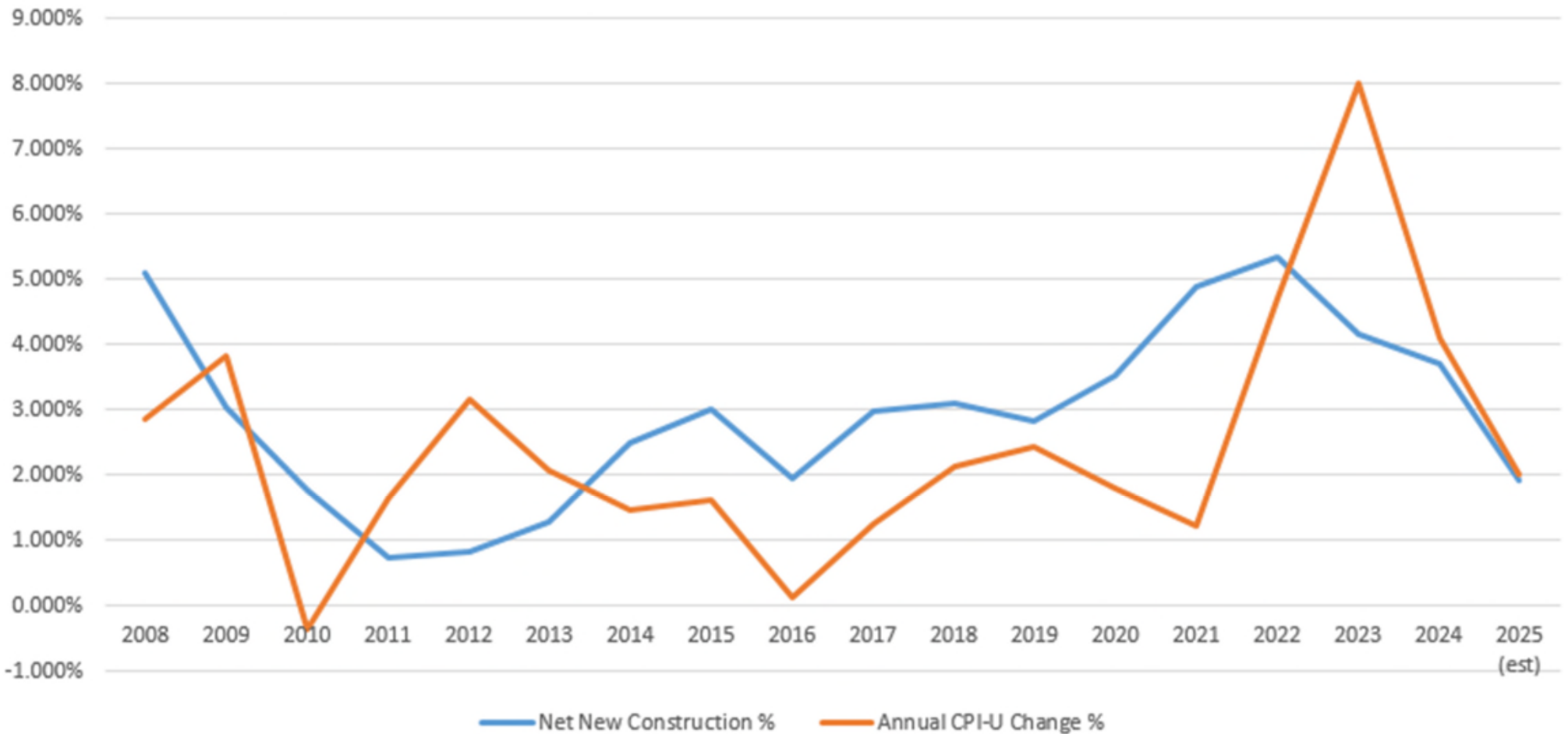
Status Quo Cost Increases

City Revenues vs. Expenditures



Doesn't account for additional cost of providing service to new properties that created 2% net new construction

Net New Construction vs. Inflation



The Flaw in Net New Construction

- Levy limits are based on the restriction of tying property tax increases to primarily net new construction
- This model assumes that net new construction is the only cause of government expenditure increases
- Net new construction actually often means additional service demands
- Inflation not included
- Tax exempt properties not included
- State assessed manufacturing properties at a significant discount

TID Closure Adjustment

- o TID #15 (closed in 2023)
 - o ~\$225,000 Adjustment Expected
 - o \$120,000 Portion included in 2024-2033 CIP for 2025

Levy Limits

(Other References)

- League of Wisconsin Municipalities “Levy Limits Explanations and Strategies”

<http://www.lwm-info.org/823/Levy-Limits-Explanation-and-Strategies>

- Department of Revenue FAQs

<https://www.revenue.wi.gov/Pages/FAQS/slf-levy.aspx>

Other Resources

- League of Wisconsin Municipalities Budgeting Toolkit
<https://www.lwm-info.org/574/Municipal-Budgeting-Toolkit>

Includes several other articles and best practices relating to:

- Budgeting Basics
- Public Engagement in Budgeting
- Financial and Budgeting Policies
- Sample Municipal Budgets

State Imposed Public Safety Maintenance of Effort (MOE)

Maintenance of Effort

- o NEW requirement; rules, forms, and FAQs recently released
- o Considers year-to-year maintenance of effort, not base year of 2023
- o Police (any one)
 - o # of sworn officers (employed, not budgeted)
 - o Property taxes spent on personnel costs for sworn officers (spent, not budgeted)
 - o % of property tax levy spent on sworn officers
- o Fire/EMS (any two of four)
 - o Non-capital expenditures (spent, not budgeted)
 - o # of FTE firefighters and EMS personnel (employed, not budgeted)
 - o Level of training and licensure for firefighters and EMS personnel
 - o Response time for fire protection and EMS, adjusted for call location
- o 15% penalty if fail to comply

Adopted Financial Policies

Why Do We Have Financial Policies?

- Demonstrate long-term financial focus
- Provide a foundation for financial decisions
- Guardrails for fiscal sustainability

Rating Action: Moody's assigns Aa1 to Fitchburg, WI's GO bonds

02 Nov 2021

New York, November 02, 2021 -- Moody's Investors Service has assigned a Aa1 rating to the City of Fitchburg, WI's \$15.7 million General Obligation Corporate Purpose Bonds, Series 2021A. Moody's maintains a Aa1 rating on the city's outstanding general obligation unlimited tax (GOULT) debt. Following the sale, the city will have \$71.2 million GOULT debt outstanding.

RATINGS RATIONALE

The Aa1 rating reflects the city's strong tax base growth, supported by ongoing development and its adjacency to the City of Madison (Aaa stable). The steady increase in valuation and corresponding increases in property tax revenue has resulted in a robust financial position which serves as a mitigant against the city's limited revenue-raising ability. The pension burden is modest, however the debt burden and fixed costs are above-average.

RATING OUTLOOK

Moody's does not typically assign outlooks to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Further expansion of the tax base coupled with strengthened resident income
- Moderation of fixed costs

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Material, sustained narrowing of operating reserves
- Significantly increased leverage

Moody's Report available on the City's website:
<http://www.fitchburgwi.gov/1998/Financial-Records-Reports>

1) Fund Balance Within General Fund

- o **Policy:** The City shall seek to maintain its undesignated and unreserved fund balance at a minimum of between 15% and 25% of total general fund annual revenues plus the amount of state shared revenue received during the previous year.
- o **Why Important:** Unexpected events; cash flow.

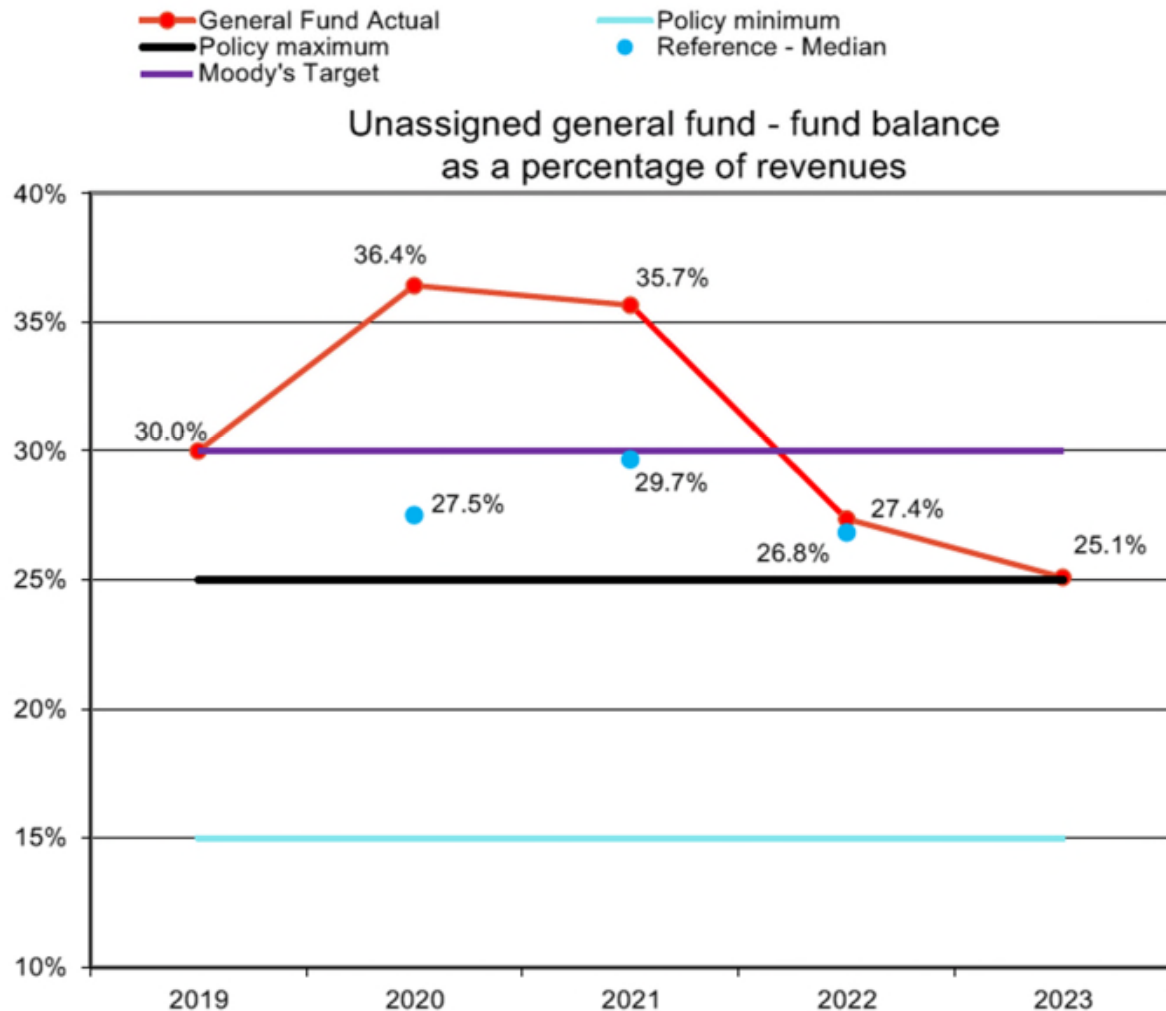
12/31/23: 25.1%

decrease from 2022 due to intentional and strategic use of fund balance in CIP

1) Fund Balance Within General Fund

Fund balance policy:

Unassigned general fund balance within a range of 15-25% of general fund revenues



Source: 2023 Audit
Presentation 5/28/24
Finance Committee Meeting

1) Fund Balance Within General Fund

- o Accounted for currently
 - o Shared revenue is discussed as an item to discontinue with many past State budgets (\$1.5m); includes portion of Town of Madison aid and supplemental aid
 - o Expenditure restraint program (ERP) will likely be foregone occasionally (~\$650K) – accounted for in capital projects fund
- o Not considered currently (based on 2024 budget)
 - o Relatively new aid payment for “lost” personal property taxes (\$123K + TID)
 - o Relatively new aid payment to fill gap with franchise fees (\$63K)
 - o Computer exemption aid (\$248K + TID); recently aid payments set at prior amount with no changes; expect may disappear
 - o Payment for Municipal Services (\$40K); decreasing in recent years
 - o Fire Insurance Taxes/2% Dues (\$157K)
 - o General transportation aid (\$2.1m)

1) Fund Balance Within General Fund

o Other Assignments

- o \$2.4m Employee Retirement Reserve: calculated amount based on the accrued sick leave balances for each employee and the likelihood that they will retire from the City, thus receiving a sick leave conversion payout
- o \$215K Employee Retiree Payments Owed: incurred payments for recently retired employees receiving a sick leave conversion benefit
- o \$3.1m Use of fund balance in subsequent year budget (mostly from CIP)
- o \$1.1m Carryovers approved from 2023 to 2024

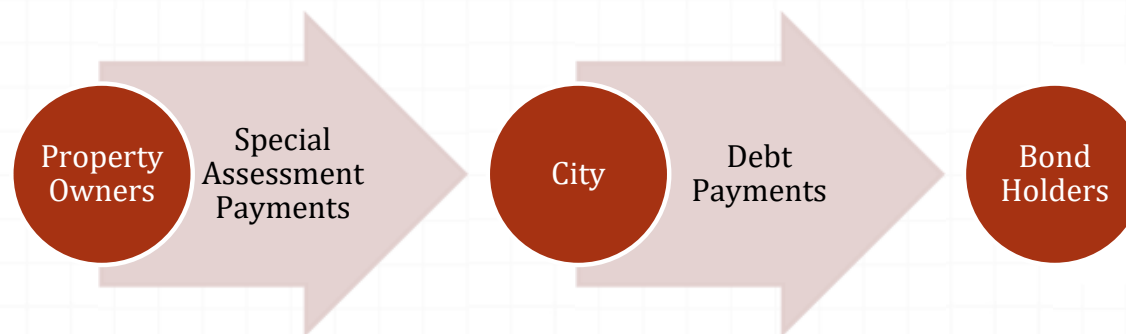
2) Tax Rate Stability

- **Policy:** The City shall seek to maintain an equalized tax rate for debt at a level which does not exceed \$2.25 / \$1,000 of equalized valuation for purposes of financing its defined capital improvement plan.
- **Why Important:** “mortgage payment”

2024 Budget: \$.94 / \$1,000 EV
(projected \$.97 / \$1,000 EV in 2025)

3) Matching Revenues and Expenses for Debt

- o **Policy:** It is the policy of the City to structure the payments of principal on debt to coincide with the levying of principal for special assessments
- o **Why Important:** If the City issues debt for items that are specially assessed to others, those payments coming in should match payments going out on the debt



12/31/23 Actual: policy met

4) Financing Capital Equipment and Road Maintenance

- o **Policy:** The City shall fully fund ongoing equipment and roadway maintenance costs from annual levy/expenditure restraint funds.
- o **Why Important:** Borrowed money = debt issuance costs + interest costs



12/31/23 Actual:

\$500,000 threshold for new projects (legacy projects)

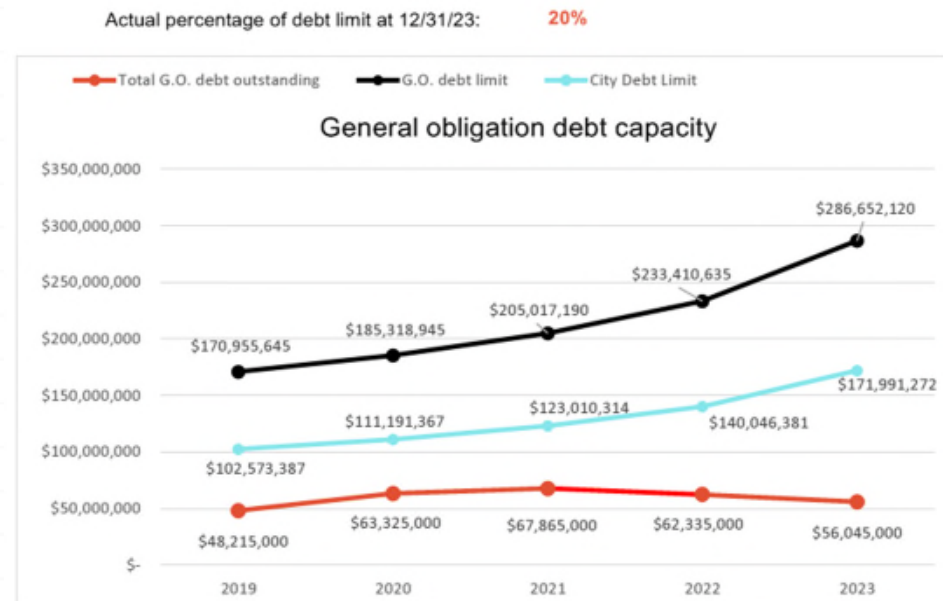
Phasing-off borrowing for road maintenance

Replacement fund strategy

Funding Sources	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Borrowing (non-util, GO debt)	75,000	50,000	25,000								150,000
Capital Property Tax Levy	858,000	928,000	1,018,000	1,088,000	1,133,000	1,178,000	1,223,000	1,268,000	1,292,000	1,337,000	11,323,000

5) Preservation of G.O. Borrowing Capacity

- o **Policy:** Wisconsin allows municipalities to borrow up to 5% of its Equalized Valuation on a general obligation basis. The City of Fitchburg has adopted an ordinance which limits itself to a 3% standard
- o **Why Important:** Flexibility within statute for unexpected changes in values or large unexpected but critical projects



12/31/23 Actual: .98% (33% of policy)

Projected 1.00% including 2024 debt issuance

6) Percent of Debt Expense as Ratio of Operating Budget

- o **Policy:** It is the City's objective to continue to monitor and control this ratio yet the priority will be to continue to keep operating costs at economical levels and maintain an aggressive debt payment approach. As a result this ratio may increase but will remain within the range of 15-25%.
- o **Why Important:** Too high of a ratio would indicate that the City is too leveraged.

2024 Budget Unadjusted:

15.3% (\$7,254,461 / \$47,561,832)

7) Debt Payment Structure/Duration

- o **Policy:** The City shall finance its ongoing annual CIP with the issuance of 10 year general obligation notes. The exception to this would be the financing of Tax Increment District expenses where the debt will be structured to match the projected cash flow of the district and larger building projects with projected useful lives of 20 or more years. It is also generally the philosophy of the City to avoid balloon payment structures or significant back loading of the issue where more than 50% of the principal is matured in the last 2 years of the issue.
- o **Why Important:** Only bonds can be extended beyond 10 years and allowed only for certain purposes. It is also wise to have debt paid off well in advance of end of useful life. Balloon payments can be interpreted as “kicking the can down the road” and are dependent on future, unknown circumstances.

Current Actual: 64.3% in 10 years

8) Borrowing for Tax Incremental Financing

- o **Policy:** The City has determined that it will borrow for TID related expenditures only when a development agreement or agreements for a significant amount of tax base has been secured or when the history of the development of an area (market conditions) clearly indicate that development will support the projected debt load.
- o **Why Important:** Debt issued for TID remains the responsibility of the City and its taxpayers, even if the TID fails or underperforms.

12/31/23 Actual: TID debt exists for TID #9 (Seminole/Lacy) TID #10 (Fish Hatchery Road), TID #13 (Uptown) for road reconstructions and other infrastructure projects. The full amount of the debt is expected to be financed with increment generated from the existing and near-term expected projects.

Debt Issuance for Utilities

(no formal policy)

- o Currently all three of our utilities (water, sewer, stormwater) are debt free!
- o The recent large rain events have brought a lot of discussion to stormwater projects and there are some large projects proposed to be funded by debt.

9) Land Use and Growth

- o **Policy:** It has been the policy of the City of Fitchburg to encourage new growth and development as a means of tax base expansion provided that such growth conforms to the City's Master Land Use Plan.
- o **Why Important:** New growth = larger tax base = more property owners to spread costs

12/31/23 Actual: policy met

10) Maintenance and Enhancement of Credit Rating

- o **Policy:** It is therefore the City's policy that its current Aa1 credit rating be maintained and that efforts be made where possible to seek to upgrade this rating. It is recognized that the City is now within just a single notch of the top of the rating scale (Moody's Aaa). The City remains committed to maintaining positive working relationships with the credit rating agencies and will cooperate with the representatives of such agencies through the provision of information and, when appropriate, through personal presentations to the analysts responsible for review of the Fitchburg account.
- o **Why Important:** Higher credit rating = lower debt issuance costs as well as demonstrated financial health

12/31/23 Actual: Aa1 (assumed, no debt issued in 2023)

Expect updated rating from Moody's for 2024 debt issuance soon

Comparative Data Sources

Other Comparative Resources

Wisconsin Policy Forum

<https://wispolicyforum.org/research/municipal-datatool-examining-and-comparing-wisconsin-cities-and-villages/>



To meet the demands of the internet age, our yearly report – formerly titled “MunicipalFactor” – has been fully digitized. The 2019 Municipal DataTool provides five years of data on Wisconsin’s cities and villages, allowing users to see trends over time.

About the Tool



Key Findings



Our Sponsors



Property Taxes



Municipal Spending



Debt



Shared Revenue &
Property Values



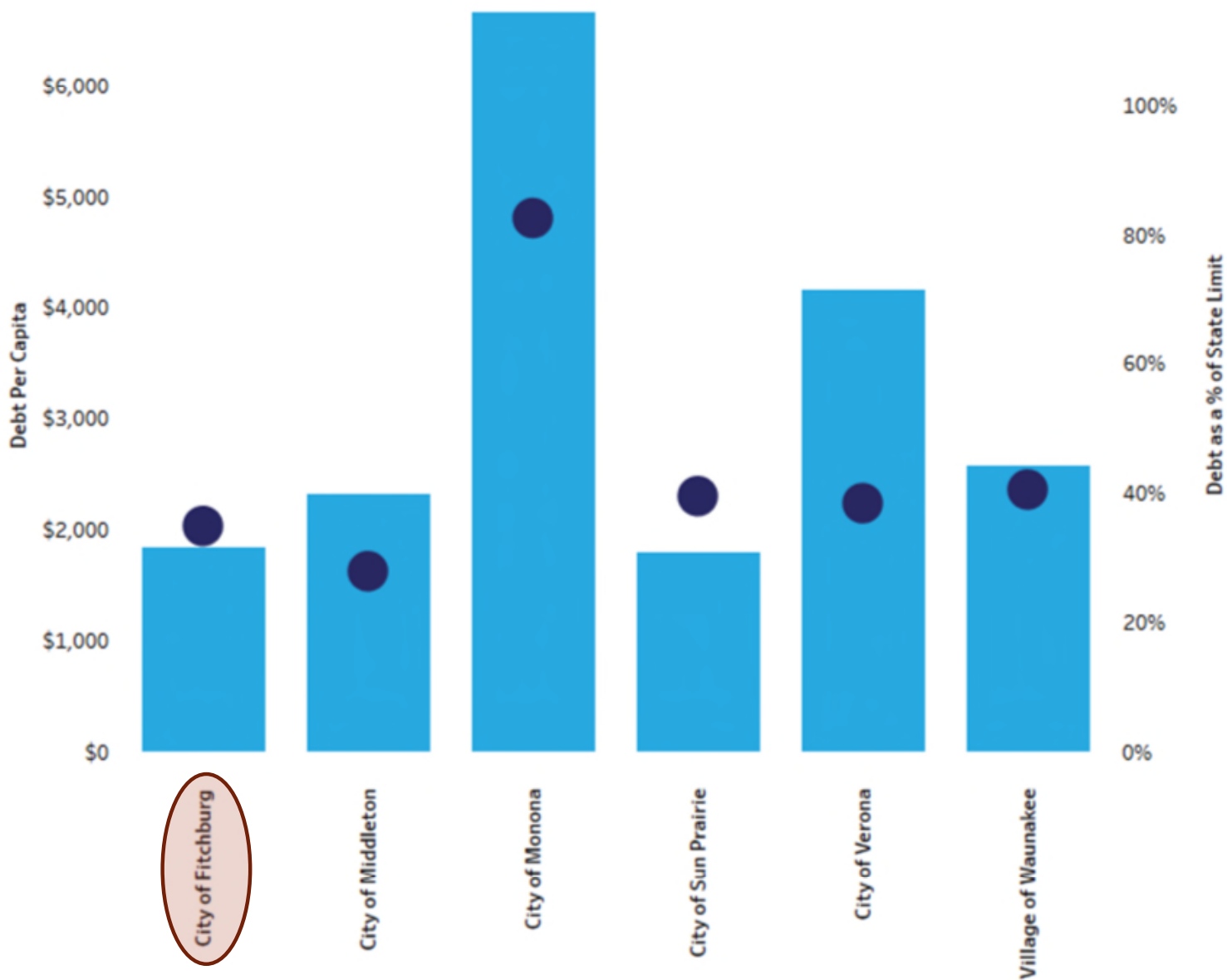
Income and Population



Glossary of Terms

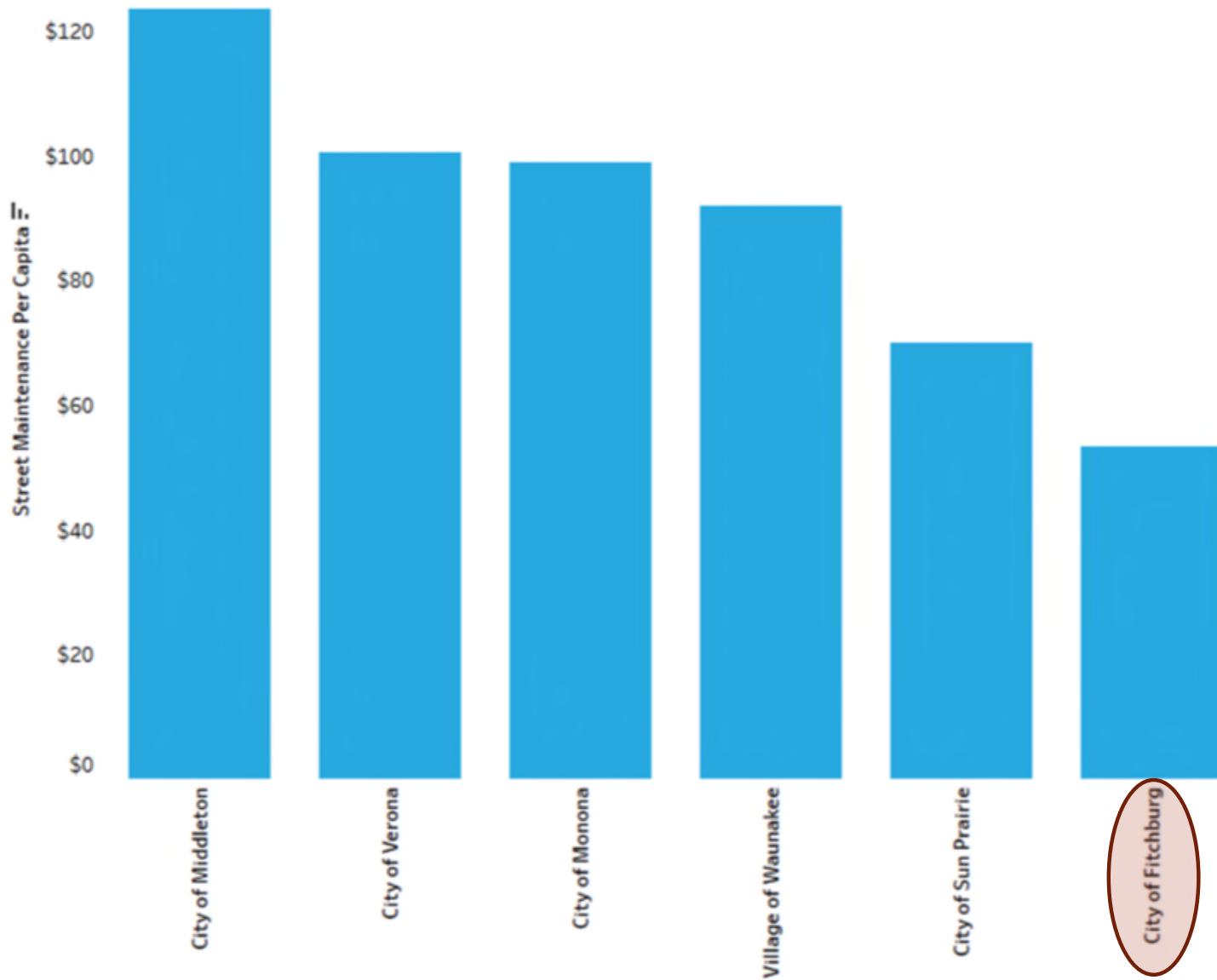


Custom Comparison: Debt Per Capita (Bars) vs. as % of State Limit (Dots)



<https://wispolicyforum.org/research/municipal-datatool-examining-and-comparing-wisconsin-cities-and-villages/>

Custom Comparison: Street Maintenance Spending Per Capita

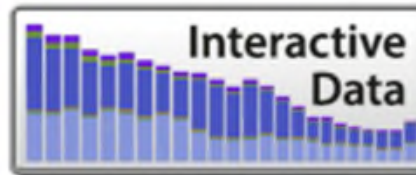


<https://wispolicyforum.org/research/municipal-datatool-examining-and-comparing-wisconsin-cities-and-villages/>

Other Comparative Resources

State of Wisconsin DOR

<https://www.revenue.wi.gov/Pages/Report/Home.aspx>



- Alcohol Beverages
- Assessed Property Values
- Cigarette/Tobacco Taxes
- Commuter Patterns
- Corporate Tax by Industry
- County Personal Income Distribution
- Equalized Property Values
- Individual Income Tax (IIT)
- IIT Refundable Credits
- Levy Limit Exceptions
- Local Gov. Dashboard
- Lottery Credit
- Motor Fuel Consumption
- Police and Fire Fees
- Sales Tax Distributions
- Sales Tax by Industry
- Sales Tax Per Capita
- School District Taxes
- Shared Revenue
- Special District Taxes
- State Energy Statistics
- Tax Burden Rankings
- Tax Increment Finance
- Tax Revenue Since 1963
- TVC Taxes Dashboard
- WI Economic Indicators
- WI Employment Data
- WI Real Estate Sales
- WI State & Local Taxes
- Wisconsin Exports
- Wisconsin MSAs

Local Government Dashboard

<https://www.revenue.wi.gov/Pages/RA/Local-Government-Dashboard.aspx>

Overview
Quick Glance
Revenues and Expenditures
Data by County
Statewide Comparison
Tabular Data

Select Local Government

City of Fitchburg (Dane)
Year | Amount | % Change

Total Revenue & Other Financing Sources

2012	\$51,658,821	Null	●
2013	\$29,909,657	-42.10%	↓
2014	\$34,094,313	13.99%	↑
2015	\$40,768,669	19.58%	↑
2016	\$45,647,671	11.97%	↑
2017	\$47,460,389	3.97%	↑
2018	\$51,826,397	9.20%	↑

General Property Taxes

2012	\$17,499,468	Null	●
2013	\$17,449,761	-0.28%	↓
2014	\$18,277,506	4.74%	↑
2015	\$19,377,345	6.02%	↑
2016	\$19,766,518	2.01%	↑
2017	\$21,367,944	8.10%	↑
2018	\$22,624,938	5.88%	↑

Equalized Value Used for Calendar Year

2012	2,489,764,900	Null	●
2013	2,447,132,400	-1.71%	↓
2014	2,503,773,000	2.31%	↑
2015	2,623,964,200	4.80%	↑
2016	2,711,401,700	3.33%	↑
2017	2,830,645,500	4.40%	↑
2018	2,954,018,100	4.36%	↑

Population

2012	25,246	Null	●
2013	25,465	0.87%	↑
2014	26,090	2.45%	↑
2015	26,321	0.89%	↑
2016	27,635	4.99%	↑
2017	27,936	1.09%	↑
2018	28,316	1.36%	↑

Total Expenditures & Other Financing Uses

2012	\$48,271,771	Null	●
2013	\$32,443,308	-32.79%	↓
2014	\$37,759,446	16.39%	↑
2015	\$31,553,393	-16.44%	↓
2016	\$37,994,749	20.41%	↑
2017	\$40,555,186	6.74%	↑
2018	\$47,864,107	18.02%	↑

Total Debt Service

2012	\$9,272,948	Null	●
2013	\$4,595,021	-50.45%	↓
2014	\$4,598,875	0.08%	↑
2015	\$4,902,642	6.61%	↑
2016	\$5,686,750	15.99%	↑
2017	\$6,100,429	7.27%	↑
2018	\$11,300,180	85.24%	↑

Total General Obligation Debt

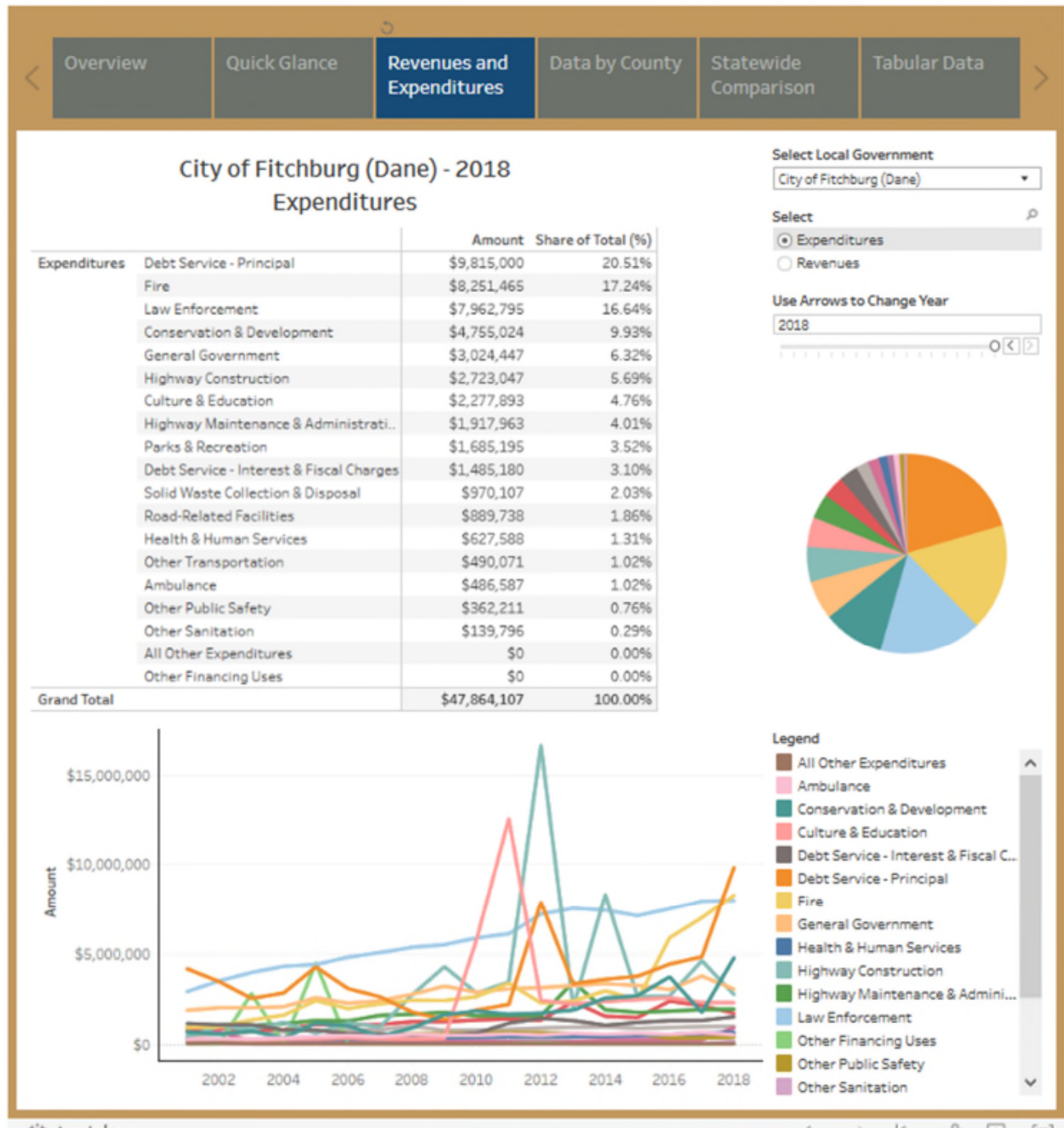
2012	\$43,760,568	Null	●
2013	\$41,432,335	-5.32%	↓
2014	\$37,762,171	-8.86%	↓
2015	\$42,230,000	11.83%	↑
2016	\$47,395,000	12.23%	↑
2017	\$51,425,000	8.50%	↑
2018	\$50,890,000	-1.04%	↓

Local Tax Rate (mills)

2011-12	7.437	Null	●
2012-13	7.570	1.78%	↑
2013-14	7.874	4.02%	↑
2014-15	7.854	-0.26%	↓
2015-16	8.125	3.46%	↑
2016-17	8.347	2.74%	↑
2017-18	8.499	1.82%	↑

Local Government Dashboard

<https://www.revenue.wi.gov/Pages/RA/Local-Government-Dashboard.aspx>



Metric

Other NNC (NNCTOTC7)

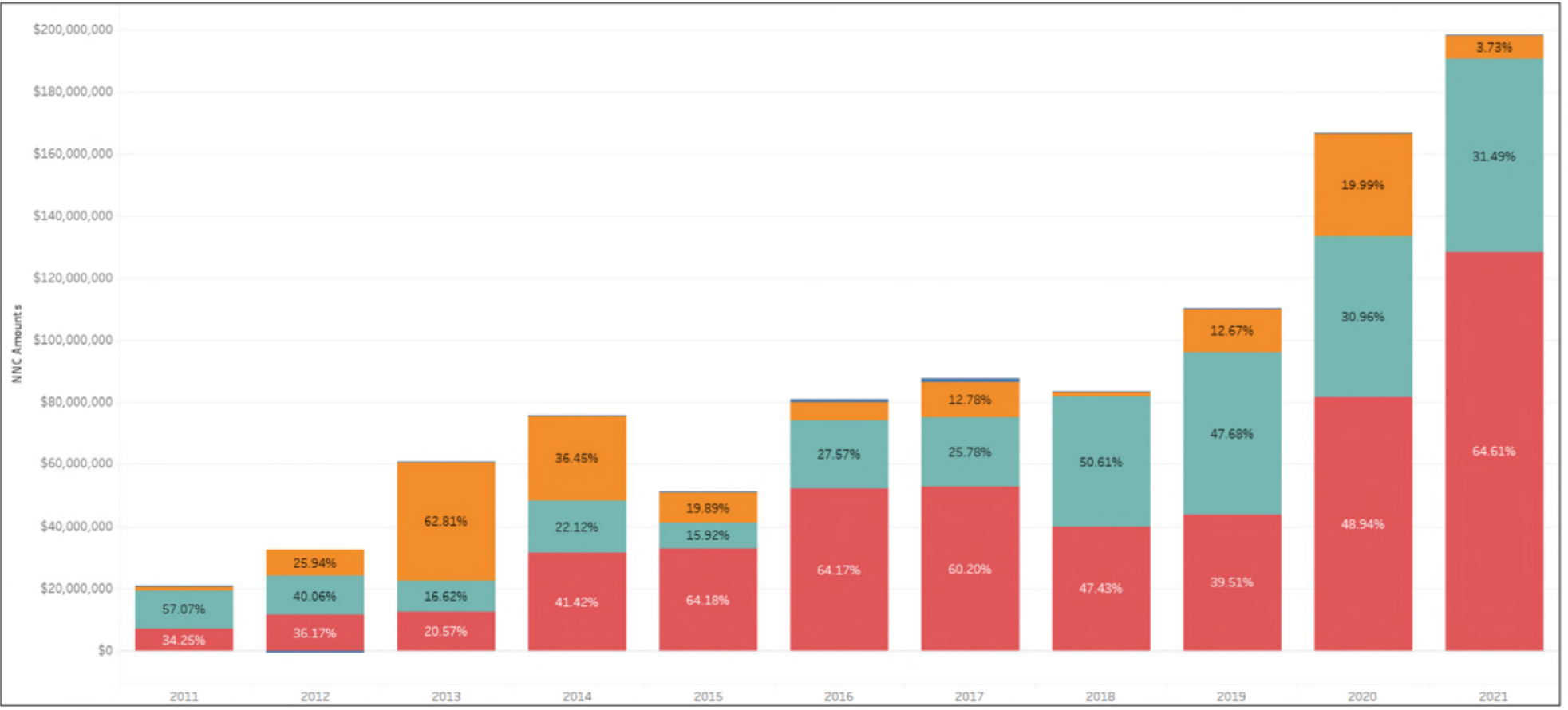
Manufacturing NNC (NNCTOTC3)

Residential NNC (NNTOTC1)

Commercial NNC (NNCTOTC2)

- Overview
- Prior Year EV and NNC
- Net New Construction by Property Class
- Net New Construction Breakdown
- Net New Construction Map-Dollars
- Net New Construction Map-Percent

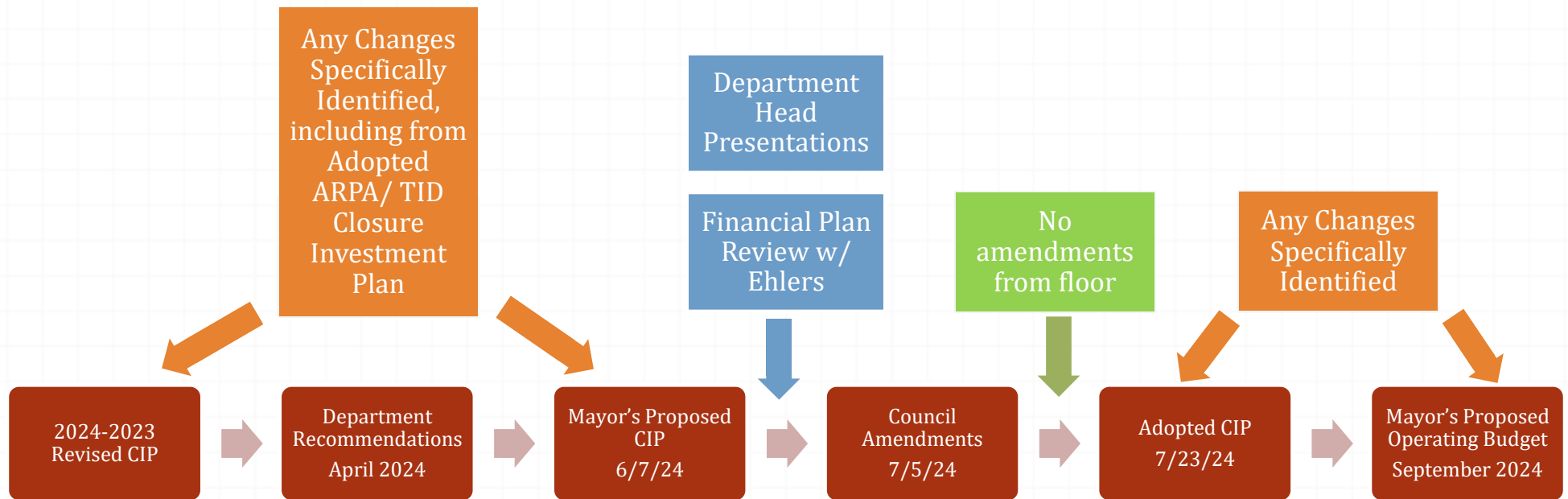
Municipality: 13225 Fitchburg (C) County: Dane County Metric: Other NNC (NNCTOTC7) Manufacturing NNC (NNCTOTC3) Residential NNC (NNTOTC1) Commercial NNC (NNCTOTC2)



<https://public.tableau.com/app/profile/research.policy/viz/DetailedNetNewConstruction/Story1>

CIP Process and Next Steps

2025-2034 Capital Improvement Plan Process



Replacement Funds (aka Sinking Funds)

Replacement Funds (aka Sinking Funds)

- o Purpose: Provide stable cash financing for routine equipment, vehicles, and building systems replacements by calculating the annualized cost of replacing existing capital equipment + inflation factor

City of Fitchburg
Highway/Engineering Replacement Fund Supporting Document
Created: April 2022
Updated: April 2023

Vehicle/ Equipment Name	Vehicle/ Equip #	Replacement Cost (a),(b)	Trade-in Value (a)	Net Cost (a)	DOT Useful Life	CoF Useful Life	Annual Cost
Utility Vehicle 4X4	1	\$ 41,400	\$ 8,000	\$ 33,400	6	10	\$ 3,340
1/2 Ton Pickup Truck extended cab	3	\$ 40,250	\$ 5,000	\$ 35,250	6	10	\$ 3,525
3/4 Ton Pickup Truck	4	\$ 36,000	\$ 500	\$ 35,500	6	10	\$ 3,550
3/4 Ton Pickup Truck	11	\$ 40,250	\$ 4,000	\$ 36,250	6	10	\$ 3,625
3/4 Ton Pickup Truck	12	\$ 36,000	\$ 3,000	\$ 33,000	6	10	\$ 3,300
1 Ton Truck w/platform & dump box	13	\$ 115,000	\$ 10,000	\$ 105,000	6	10	\$ 10,500
1 ton Ford F550	10	\$ 120,750	\$ 20,000	\$ 100,750	6	10	\$ 10,075
Aerial Basket-38' reach	15	\$ 195,500	\$ 5,000	\$ 190,500	10	15	\$ 12,700
17 Yard dump truck	16	\$ 264,500	\$ 30,000	\$ 234,500	9	10	\$ 23,450
Tractor Crawler	32	\$ 92,000	\$ 6,000	\$ 86,000	10	15	\$ 5,733
Loader	33	\$ 287,500	\$ 25,000	\$ 262,500	10	10	\$ 26,250
4 Wheel Drive Excavator	34	\$ 300,000	\$ 20,000	\$ 280,000	10	15	\$ 18,667

Replacement Funds (aka Sinking Funds)

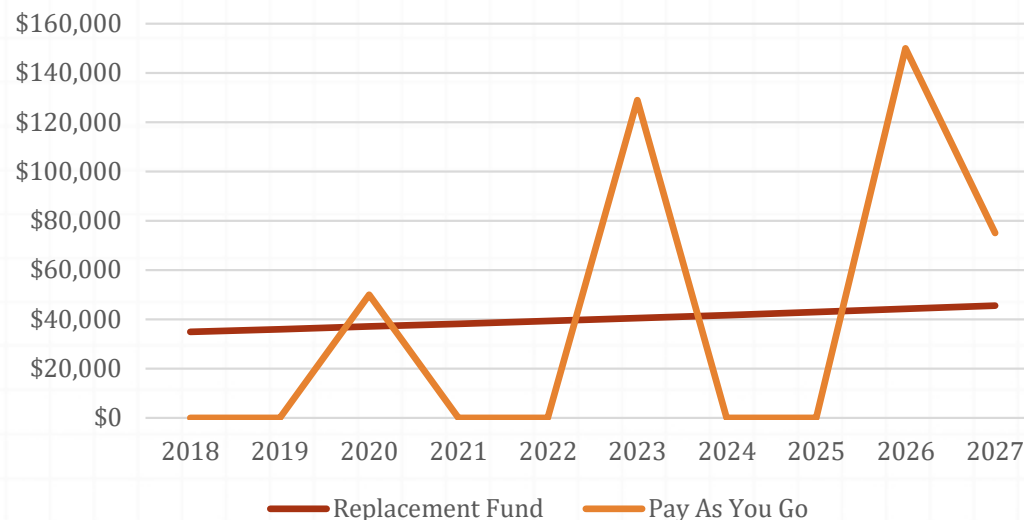
Process	Example
Value of Asset	\$550,000
- Future Sale Proceeds Expected	- \$50,000
=Net Asset Value	=\$500,000
÷ Useful Life	÷ 10 Years
Annual Cost Year 1	\$50,000 set-aside in Year 1
* Inflation Factor	* 3%
Annual Cost Year 2	\$51,500 set-aside in Year 2
Continue for all years....	

Replacement Funds (aka Sinking Funds)

o Benefits

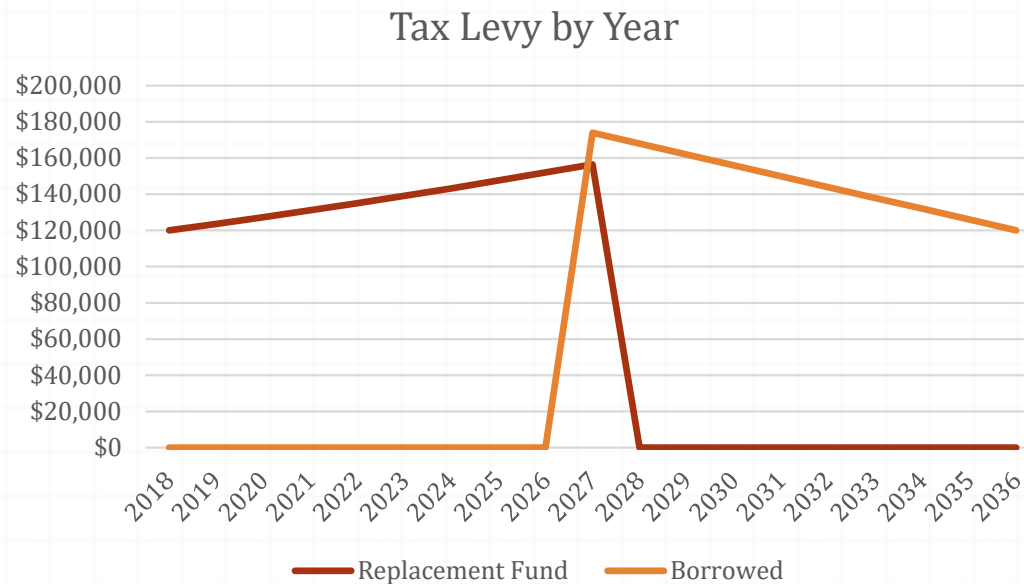
- o Demonstrates annual cost of future replacement and commitment to status quo
- o Evens-out tax levy
- o Allows for cash financing while maintaining inter-generational equity
- o Ability to absorb +/-
- o Ability to purchase equipment as needed (i.e. maintenance or supply chain issues)
- o Reduces likelihood of deferred maintenance, which costs more in long-run

Tax Levy by Year



Replacement Funds (aka Sinking Funds)

- o Both borrowing and replacement funds even-out levy
- o Both borrowing and replacement funds maintains inter-generational equity
- o Lower cost in replacement funds than borrowing due to elimination of interest expense and debt issuance costs



Replacement Funds (aka Sinking Funds)

- Intergenerational Equity
 - Definition: The users of the asset contribute towards the cost of the asset
 - Goal can be accomplished by both debt issuance and replacement funds but debt approach is more expensive due to issuance costs and interest
- Commitment to Future Replacements
 - Building new facilities can be accomplished with borrowing and/or park fees; operating and maintaining would need to be absorbed within levy limits
 - Future replacement of projects funded by park fees would need to be absorbed within levy limits

Replacement Funds (aka Sinking Funds)

- o NEW: Building Systems Replacement Funds for existing buildings include detail about specific building systems included
- o Additional replacement funds for upcoming equipment/amenities that are routinely replaced