



## Finance Department 2022 Annual Report

Misty Dodge, CPA, CPFO, Finance Director/Treasurer  
Kari Miller, Accounting Manager  
Robert Cornelius, Accounting Clerk II  
Becky Neefe, Accounting Clerk I  
Brenda Yoerger, Utility Billing Assistant  
Kim Hauge, Payroll Specialist

### Department Responsibilities

The Finance Department is responsible for providing financial management activities for all City operations, including:

- ensuring that bills incurred by the various departments are paid efficiently and in accordance with City policies
- collecting, depositing, recording, and investing cash receipts, including property taxes
- billing utility and other customers and pursuing collection activities when needed
- making sure payroll and all the associated employer related payments are paid accurately and on time
- coordinating the annual ten year capital improvement plan and operating budget processes
- monitoring debt issuance, payments, and continuing disclosure requirements
- participating in development discussions and monitoring tax incremental district requirements
- reporting to departments, elected officials, citizens, and other interested parties about the financial status of the City

### Special Projects

**ARPA Funding:** \$3.2 million in American Rescue Plan Act (ARPA) funding was awarded to the City by the Federal government to assist in the City's recovery from COVID-19. Council adopted an Investment Plan in 2022 to identify the priorities for the use of this funding. A budget amendment was completed in 2022 to start some of the highest priority projects. Additional projects were included in the 2023 operating budget and 2023-2032 Adopted Capital Improvement Plan. The Investment Plan is expected to be updated annually until the funding is fully spent. The purchasing ordinances were also revised to ensure clear compliance with the uniform grant guidance.

**Town of Madison Impacts:** The dissolution of the Town of Madison and the transition of some properties to the City of Fitchburg occurred in October 2022. A significant amount of planning and organization was needed to address the financial and operational impacts of this additional territory. 126 additional sewer/stormwater utility customers were added (water service stayed with City of Madison). Several nuances and complications were identified, researched, and negotiated prior to and after the transition. One unique issue was the property tax bills for the former Town parcels. Property tax bills mailed in December 2022 are based on property information as of January 1<sup>st</sup> of the same year. Since the Town existed on 1/1/22 but did not exist in December 2022, the two cities absorbing the Town had to work with each other, Dane County, and the Department of Revenue to determine logistics of the tax bill calculations, mailings, and collections.

**Non-Represented Pay Plan Market Update:** In cooperation with Human Resources, Administration, and the consultant, the non-represented pay plan market update was completed, approved, and implemented.

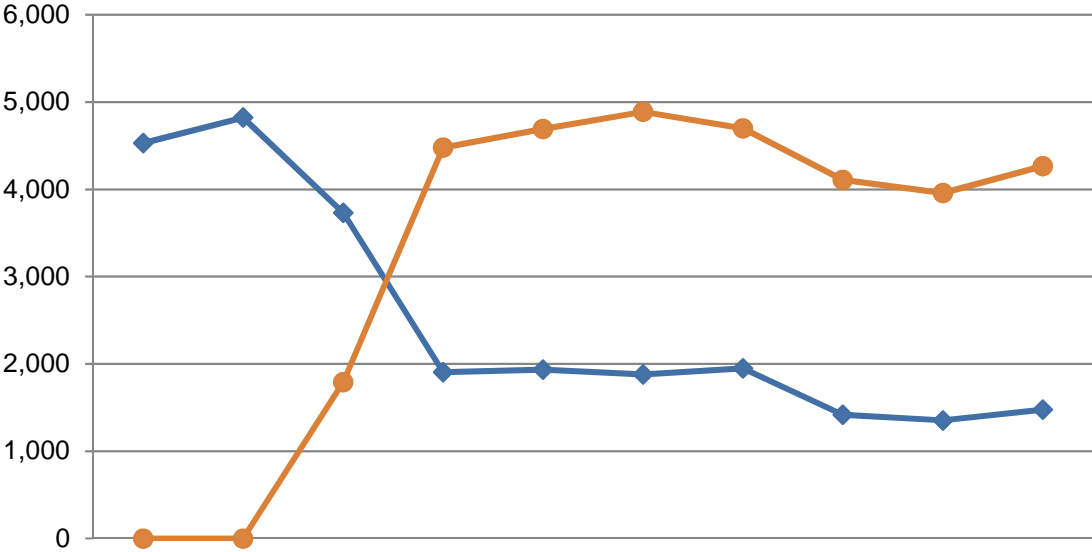
**Tax Incremental District (TID) #6 Closure:** Because there were no additional project costs expected in Tax Incremental District #6 (TID #6 – Orchard Pointe/Arrowhead) the TID was closed in 2022. Prior to closure, the City executed the affordable housing extension which should be used to implement a new Rent-to-Own Townhome Workforce Housing Endowment Pilot Program and meet other goals identified in the Housing Plan. The final TID audits, final reporting to the Department of Revenue, and distribution of any excess increment is expected to occur in early 2023. The City's share of the excess increment is expected to be about \$1.6 million. Priorities for the use of this one-time funding were identified by Council through the adopted Investment Plan, along with the ARPA funding.

**Other TID Projects:** In cooperation with the Development Team and the City's Financial Advisers, TID #14 was created for the Hartung property. Also, several TID developer incentive bonds were issued including the Promega facility bond (TID #9) and Terrace Pointe (TID #10). TID #15 (Rimrock) was transferred from the Town of Madison to the City upon dissolution of the Town. Finally, a portion of the 2015A Notes were called and prepaid in full using available TID #4 increment.

# Vendor Payments

Over the past ten years, the volume of transactions has been relatively stable, with a few exceptions.

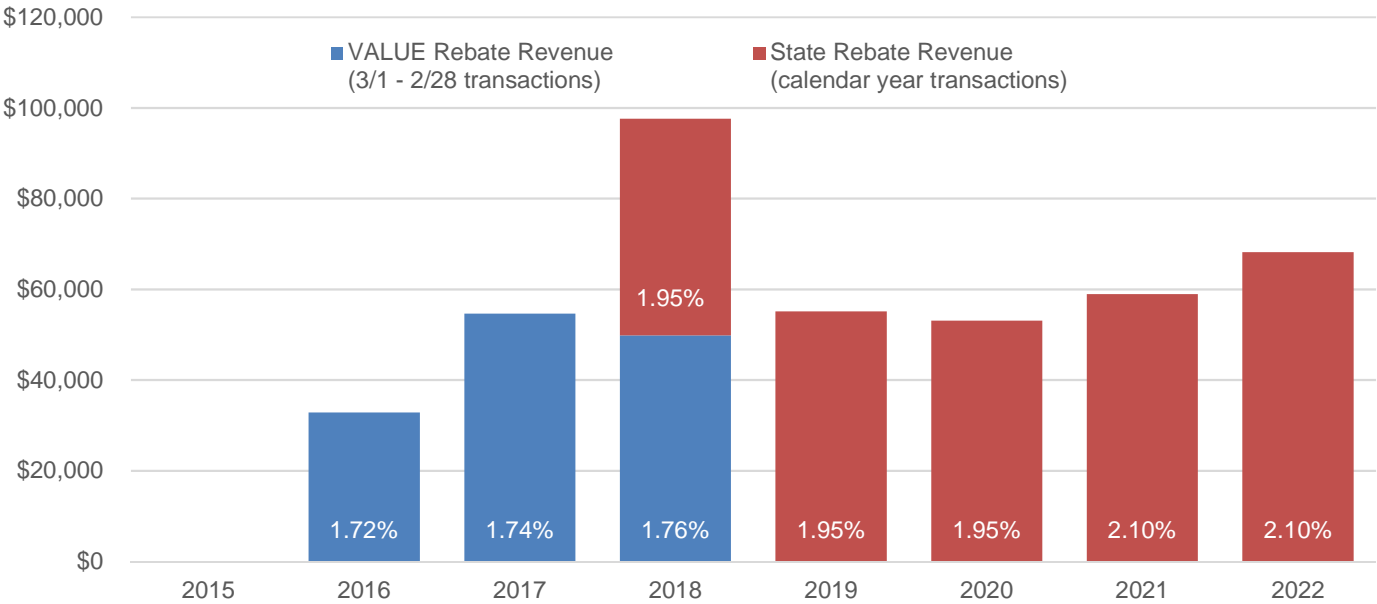
## Payments to Vendors



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Accounts Payable Checks	4,529	4,822	3,730	1,905	1,933	1,880	1,949	1,417	1,353	1,478
P-Card Transactions	0	0	1,792	4,479	4,690	4,888	4,700	4,109	3,959	4,267

In 2015 a new purchasing card (p-card) program was implemented to reduce the number of paper checks written. 2016 was the first full year with City-wide participation and we have realized time and material savings, a reduction in errors, and a sizeable rebate (\$68,190 in 2022).

## Purchasing Card Rebate Revenue

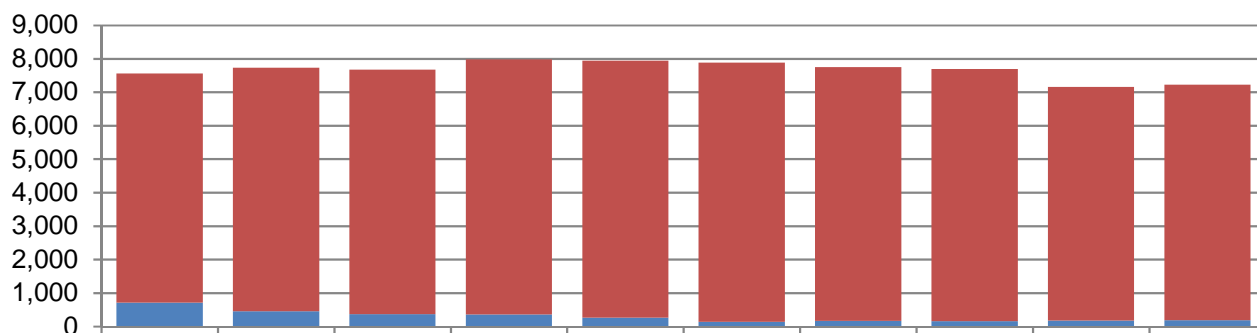


In 2018 the purchasing card program transitioned to the State contract program. This transition resulted in a skewed rebate for 2018 as it includes a rebate for transactions from 3/1/17-12/31/18, almost two years worth of rebate. The rebate received has been used to reduce the amount of property tax and utility rate funding needed to meet the City’s budgeted expenditures.

## Employee Payments

In 2013, payroll shifted from all paper checks to available electronic ACH. In addition, direct deposit became required for all new hires. Direct deposit is more convenient for most employees and saves the City time and money. With the new timekeeping and payroll software implemented in 2018, an option became available for employees to sign-up for electronic-only W-2 distribution. In 2022, 306 employees made that election (an increase of 145 employees), which saved money on postage and materials.

### Payroll Transactions



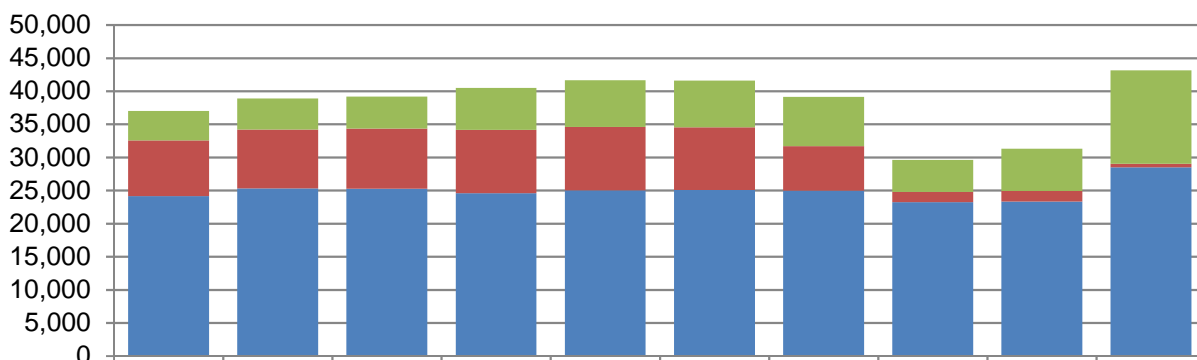
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
ACH Payments	6,849	7,277	7,303	7,628	7,677	7,751	7,593	7,543	6,974	7,038
Payroll Checks	714	455	368	353	260	135	161	152	179	182

One big variable in the trend is the election workers. In even years when there could be four elections, and especially when there's a presidential election, there are many more payments made to the election workers. In 2020, there were also 27 pay periods, as opposed to the traditional 26 pay periods, due to the calendar.

## Cash Collection - General

In 2019, the library went fine-free, which significantly reduced the number of library receipts in 2019 and beyond. In 2022, the library implemented a new print-management system that no longer required individual receipts for each copy/printing job. In 2020, COVID-19 reduced the total amount of receipts with a partial recovery in 2021. Other than those changes, the number of receipts has remained relatively consistent. Note: This chart excludes property tax receipts, which are processed through a different software.

### Receipts

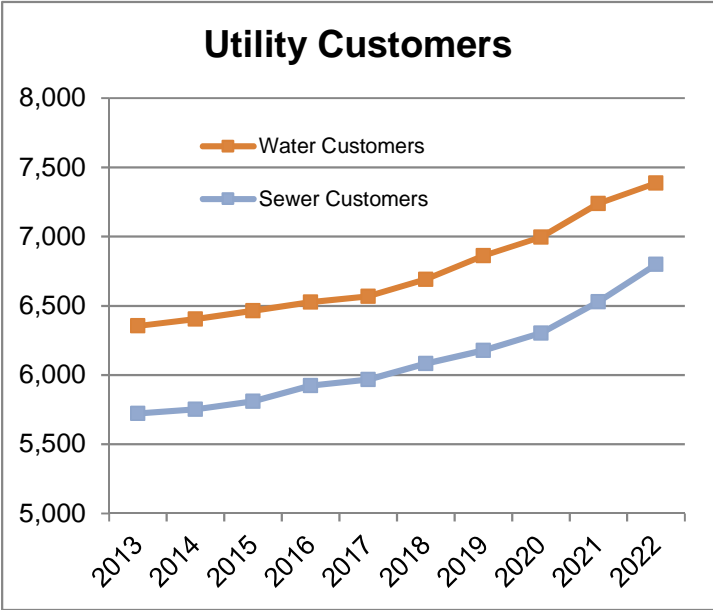


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Receipts	4,428	4,692	4,799	6,366	7,091	7,040	7,453	4,847	6,391	14,101
Library Receipts	8,429	8,897	9,123	9,548	9,537	9,491	6,726	1,531	1,565	521
Utility Billing Receipts	24,127	25,320	25,241	24,588	25,031	25,065	24,956	23,233	23,336	28,522

See following section for details specifically about utility billing receipts.

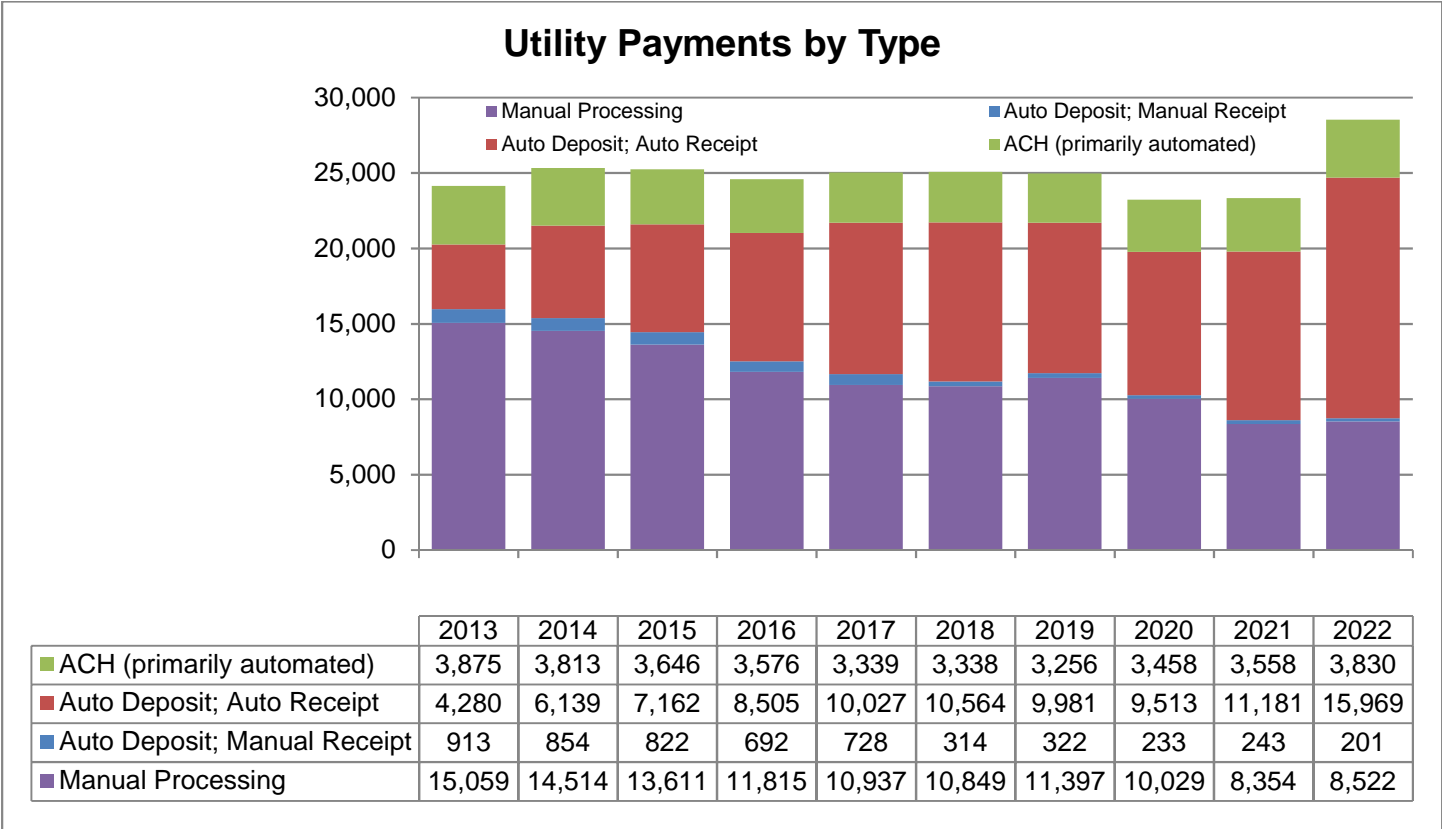
## Utility Billing and Collection

The process performed by the Finance Department that is most visible to citizens is utility billing and collection. Utility bills are issued quarterly in March, June, September, and December and include water, sewer, stormwater, and fire protection charges.



The number of utility customers continues to rise as new housing projects are completed. Since 2013 there have been about 1,032 additional water customers and 1,076 additional sewer customers, many new in 2019 to 2022. The increase in workload has been able to be managed within the Finance Department due to several process improvements, a restructuring of the Department in 2015, and an additional part-time utility billing assistant in 2018. The new part-time position in 2018 was the first increase in permanent staff within the Finance Department in at least 20 years.

The other area of efficiency we are promoting is the increased use of our automated bill payment methods. In 2013, online bill viewing and free online payment was implemented. This new payment option has significantly decreased the number of payments that require manual processing. We continue to promote auto deposit from a customer's checking account as the most efficient payment method, with no fees to either the customer or the utility.

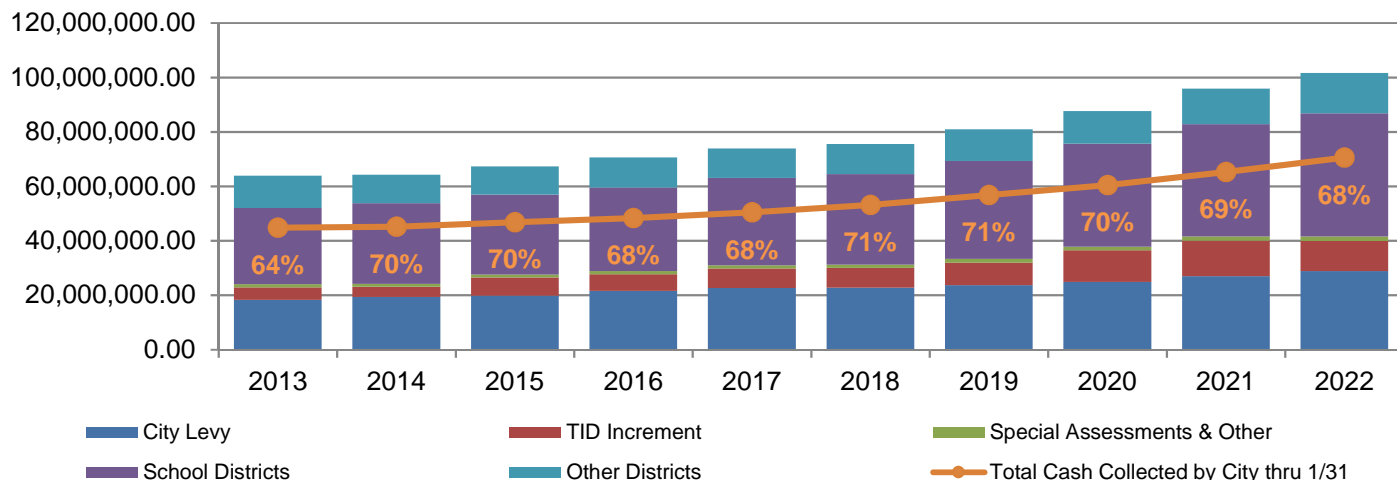


The shift from manual to automated processing is expected to continue as more customers embrace electronic payment options. During 2020, there was a global pandemic caused by COVID-19. Due to the impact on our residents, the City waived interest and penalty and discontinued the disconnection process for the majority of the year. It is believed that this policy change is what caused the reduction in the number of receipts for utilities. During 2021, the economy was still recovering and COVID-19 is believed to continue to have an impact on customers' payment frequencies. The number of utility payments increased significantly in 2022 due to the increase in customers and general improvement in customer ability to pay due to lower unemployment and recovery from the global pandemic.

## Property Tax Collection

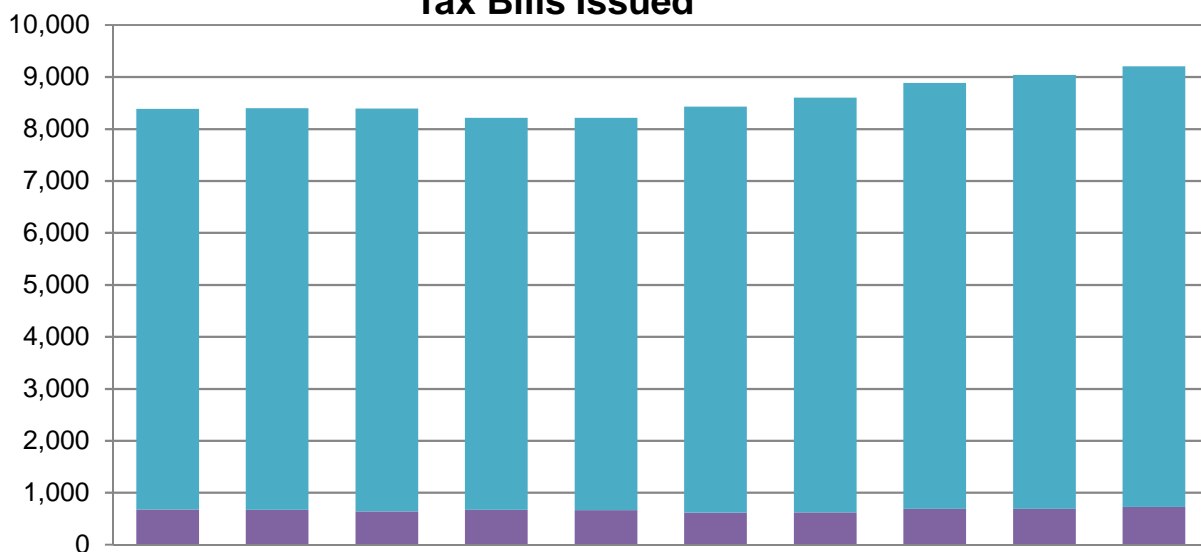
The second most visible Finance Department process is property tax collection. We collect property taxes not just for the City of Fitchburg but also for the overlying jurisdictions, including the three school districts, Madison College (MATC), State of Wisconsin, and Dane County. Property tax bills are issued in December each year for the current year's tax roll and the following year's budget (e.g. the 2021 tax bills were issued in December 2021 and collected through 2022 to pay 2022 expenses). For real property, the City collects payments through January 31 and then the outstanding amounts are turned over to Dane County. The collection responsibility for personal property remains with the City. The total volume of collections has risen due to the increase in levies for the taxing jurisdictions. However, the percentage of collections by the City has remained relatively consistent.

### Tax Roll by Jurisdiction (based on tax roll year)



The total number of tax bills has remained relatively stable over the past ten years. However, in 2018 the State provided an exemption for certain classifications of personal property. This change in legislation is what caused the decrease in the number of personal property tax bills from the 2017 to the 2018 tax roll. That decrease was overshadowed by the significant increase in the number of real property tax bills caused by the number of single family home lots created in 2017 that were first taxed separately as of 1/1/18. Each subsequent year there continued to be many new single family home lots, which increased the number of tax bills issued. In 2022, the Town of Madison dissolved and 216 of the taxable properties and personal property accounts became a part of Fitchburg.

### Tax Bills Issued



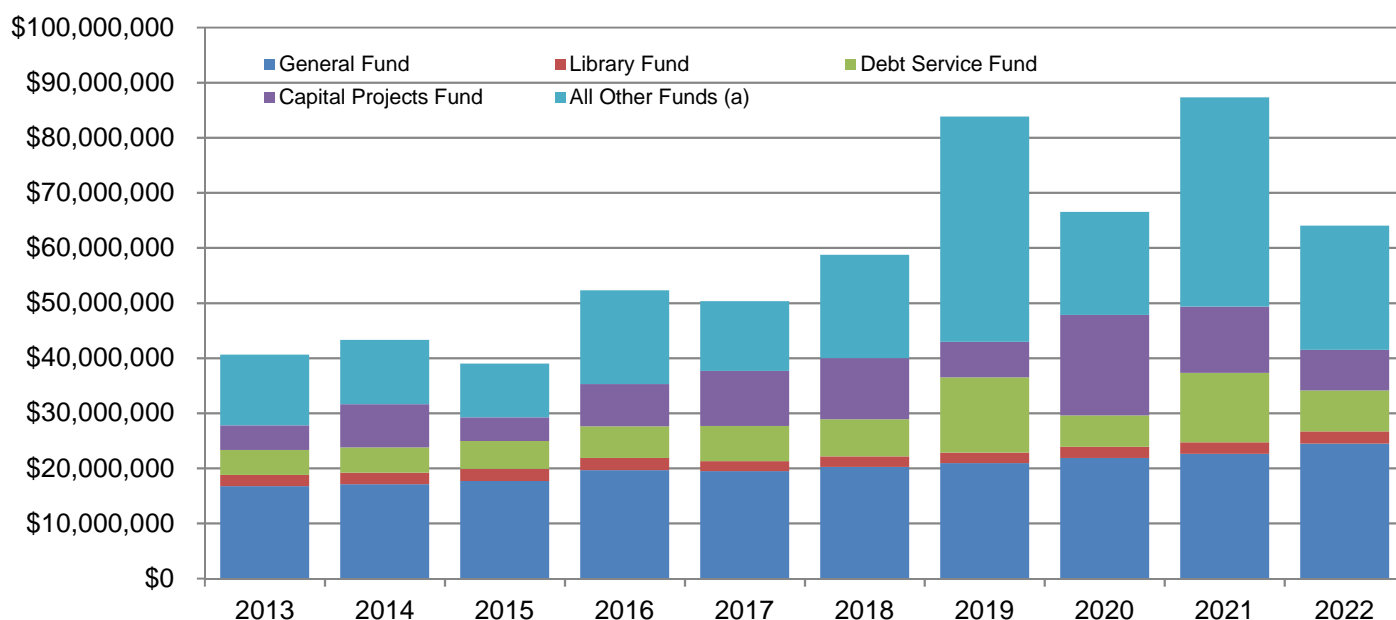
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Real Property	7,708	7,730	7,753	7,541	7,546	7,817	7,979	8,199	8,348	8,484
Personal Property	676	669	640	671	666	612	622	686	688	723
<b>Total Tax Bills Issued</b>	<b>8,384</b>	<b>8,399</b>	<b>8,393</b>	<b>8,212</b>	<b>8,212</b>	<b>8,429</b>	<b>8,601</b>	<b>8,885</b>	<b>9,036</b>	<b>9,207</b>

## Expenditure Budgets

The Finance Department monitors financial and budgetary status for the City, in cooperation with the various departments. The City has grown quite significantly in the past ten years, which has translated into larger expenditure budgets and property tax levies.

- **The General Fund** budget has remained relatively stable and has increased an average of 5.1% per year from 2013 to 2022. Recent years have seen a higher increase than earlier years due to community growth.
- **The Library Fund** was first established in 2009 to pay the initial operating costs associated with the planning and implementation of the new programming during the construction of the new building. The library was first operational in June 2011. Beginning with the 2017 budget, the payments to and from the County for inter-library use was netted and reported as a net revenue payment.
- **The Debt Service Fund** expenditures have increased to pay for the external debt issued by the City to finance large projects. The largest increases were in 2019, 2021, and 2022 due to planned pre-payment of a large amount of TID debt. Larger increases are also seen from 2014 and beyond due to the construction of two new fire stations and several large road projects that were funded by borrowing. 2021 also included a larger increase due to a crossover refunding.
- **The Capital Projects Fund** variances are also primarily the result of new building construction projects funded by debt issuance. Large costs for the new fire stations began in 2014 and continued through 2019. In 2017 the reconstruction of Lacy Road from a rural to urban road was completed. In 2018 the reconstruction of Fish Hatchery Road was first budgeted with costs expected to continue from 2018 to 2022. In 2020 and 2021 debt was issued for continued costs of several large road projects. Payments on the debt issued to finance these projects are later paid by property taxes, through the Debt Service Fund.
- **The Other Funds** category includes special revenue funds, tax increment district (TID) funds, enterprise funds, and internal service funds. The expenditure budgets of most of the sub-categories has remained relatively stable. The TID budgets, however, have varied significantly based on the timing of large capital projects and closures of districts. Additional detail by TID is included in a future section of this report. Other significant changes include a new technology internal service fund that was included in the 2016 budget and a new insurance/risk management internal service fund that is included in 2017.

### Expenditure Budgets by Fund



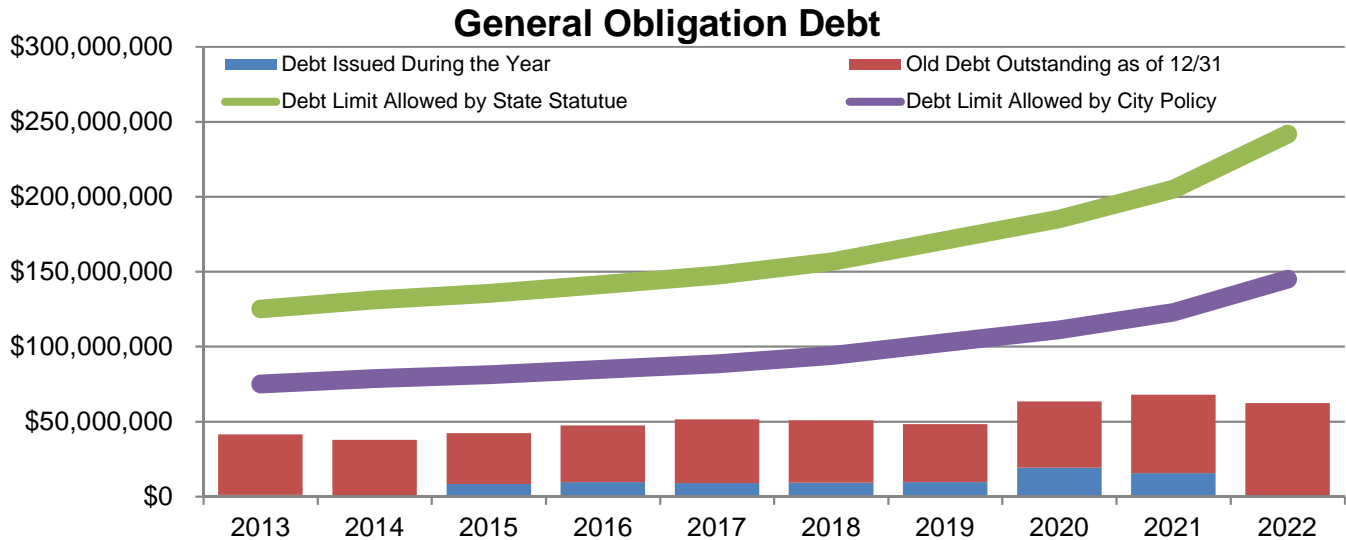
(a) The "All Other Funds" category includes:

- Special Revenue Funds: grants/donations, park dedication, cable, refuse and recycling, police training and drug enforcement, community and economic development authority (CEDA)
- Tax Increment Financing District Funds: TID #4, #6, #7, #8, #9, #10, #11, #12, #13 (see TID section of this report for more information)
- Enterprise Funds: Water, sewer, and storm water utilities
- Internal Service Funds: technology and insurance/risk management

## General Obligation Debt

The City uses external debt to finance large capital projects as indicated in the financial plans. One primary benefit of using debt issuance for these projects is to match the payments for the projects to the property tax collections from owners who benefit from the projects.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The City has also adopted a more strict internal policy of 3% of equalized value. The City currently remains well within both of these limits.



Large projects included in the specific debt issuances include:

- **2013A Notes (\$1,040,000):** Various smaller projects.
- **2015A Notes (\$3,240,000) and 2015B Bonds (\$5,085,000):** The notes include \$1.5 million for the McKee Road reconstruction project. The bonds include \$4.0 million for the land acquisition and roadway construction costs for the Arrowhead Redevelopment (aka Spoke and Sprocket roads). Future payments on Arrowhead debt will be paid through TID #6. Note: Included in the 2014 budget was issuance of debt for approximately \$6 million in projects; however, due to turnover in the Finance Department, the debt was not issued as originally expected. Instead, the borrowing for the 2014 projects was included in the 2015 issuance, along with the other 2015 projects.
- **2016A Notes (\$4,465,000) and 2016B Bonds (\$5,235,000):** The notes include \$1.1 million for a new aerial ladder truck for the Fire Department. All of the bonds are for the first large borrowing for the new fire stations. Additional borrowing for the fire stations was completed in future years.
- **2017A Notes (\$1,055,000) and 2017B Bonds (\$7,935,000):** The bonds include \$4.2 million in additional borrowing for the fire stations and \$3.5 million for the City's share of Lacy Road reconstruction costs.
- **2018A Notes (\$1,745,000) and 2018B Bonds (\$7,535,000):** The bonds include \$4.2 million in additional borrowing for the fire stations and \$3.7 million for the refinancing of the 2010B bonds, which saved the City \$178,000 over the remaining life of the bonds (present value of \$84,000).
- **2019A Bonds (\$9,500,000):** The bonds include \$400,000 for the remodel of Fire Station Headquarters (aka Station 1) on Lacy Road and \$9.1 million for roads. Included in the roads borrowing are additional design costs for McKee Road, 30% of the estimated costs for the TID #10 and non-TID portions of the Fish Hatchery Road reconstruction, and various roads being constructed in Uptown and repaid by special assessments to benefiting property owners.
- **2020A Bonds (\$19,290,000):** The bonds include \$610,000 for a Fire Department squad, \$16.71 million for roads, and \$1.97 million to refinance \$3.0 million of 2012 Bonds (the additional pay-off funded by premium awarded on the 2020 debt issuance). Included in the roads borrowing are construction costs for McKee Road, the remaining estimated costs for the TID #10 and non-TID portions of the Fish Hatchery Road reconstruction, and various roads being constructed in Uptown and repaid by special assessments to benefiting property owners.

- **2021A Bonds (\$15,505,000):** The bonds include \$7.3 million for road infrastructure within TID #9 (Seminole/Lacy) and \$8.2 million for roads including the non-TID portion of Seminole/Lacy and the Syene Road reconstruction.
- **2022 Debt Issuance (\$0-):** Due to project delays, the debt issuance originally planned for 2022 was delayed to a future year.

## Tax Increment Districts (TIDs)

One of the primary economic development tools available to the City is the use of tax increment districts (TIDs). The value of all property as of the base year (i.e. TID creation) is frozen and the property taxes paid by that original value continues to get shared among the overlying taxing jurisdictions. Any new value that is generated after the creation of the TID (incremental value) pays the same tax rate as all other properties but the tax payments are retained by the TID for expenditures authorized by the project plan and approved by the Joint Review Board (JRB). Once all the project costs have been paid, the City may extend the district for up to one additional year to fund an affordable housing fund. Once the district is terminated, the full value of all the properties in the district are added to the property tax roll and the property taxes paid are shared among the overlying taxing jurisdictions.

The City has successfully utilized this tool to accomplish many economic development goals. Below is a summary of the TIDs in existence between 2013 and 2022:

Tax Increment District	Base Value	Increment Value as of 1/1/22	Major Projects	Closure Notes
TID #4 – FTC, Agora, and FTC II/Uptown	2003 original \$34,159,100 2012 amended \$49,144,000	\$242,368,400	<ul style="list-style-type: none"> <li>• Interchange (debt issued 2009, 2011, 2012; pre-paid debt 2018, 2019)</li> <li>• Lacy Road Improvements (2003-2012)</li> <li>• Fish Hatchery Road Upgrades (2004-2009)</li> <li>• Nobel Drive/Mica Rd (2012-2018)</li> <li>• Lacy Roundabout (2011-2012)</li> <li>• Nine Springs Underpass (2011-2013)</li> <li>• E. Cheryl/Lacy Connector (2011-2019)</li> <li>• Railroad Improvements (debt issued 2015; cash funded 2018-2023)</li> <li>• Fish Hatchery Road Left Turn Lane (2021)</li> <li>• Development Incentives</li> <li>• Affordable Housing Extension (2023)</li> </ul>	Anticipated closure ~2023 plus affordable housing extension
TID #6 – Orchard Pointe and Arrowhead	2006 original \$20,623,400 2014 amended \$86,800,800	Closed 2022	<ul style="list-style-type: none"> <li>• Spoke &amp; Sprocket Construction (debt issued 2015, project 2013-2015)</li> <li>• Bus Plazas (2014-2015)</li> <li>• McKee Road Expansion (2014-2021)</li> <li>• Fitchrona/Nesbitt Roundabout (2017-2020)</li> <li>• Development Incentives</li> <li>• Affordable Housing Extension (2022)</li> </ul>	Closed in 2022; Council in process of investment plan for excess increment expected at closure of ~\$1.6m
TID #7 – North Fish Hatchery	Closed 2017	Closed 2017	<ul style="list-style-type: none"> <li>• Bury Power Lines (2008)</li> <li>• Bus Shelters (2014-2015)</li> <li>• Landscaping/Benches (2009-2011)</li> <li>• Development Incentives</li> <li>• Affordable Housing Extension (2017)</li> </ul>	Closed in 2017, surplus paid for TID #8 loss and solar on City facilities
TID #8 – Brown Business Park	Closed 2017	Closed 2017	Incurring only administrative costs before closure.	Closed in 2017 with a small loss

<b>Tax Increment District</b>	<b>Base Value</b>	<b>Increment Value as of 1/1/22</b>	<b>Major Projects</b>	<b>Closure Notes</b>
TID #9 – Seminole/ Lacy	2015 original \$42,429,600 2016 amended \$46,009,600	\$102,886,300	<ul style="list-style-type: none"> <li>• Sub Zero Parkway Extension (2017-2019)</li> <li>• Commerce Drive Extension (2020)</li> <li>• Lacy Road Reconstruction (2021-2023)</li> <li>• Lacy/Seminole Intersection Roundabout (2023)</li> <li>• Seminole Hwy Reconstruction (TBD)</li> <li>• Stormwater Improvements (TBD)</li> <li>• Development Incentives</li> </ul>	Maximum Life 2036
TID #10 – North Fish Hatchery	2016 original \$1,177,000 2018 amended \$42,872,500	\$60,908,800	<ul style="list-style-type: none"> <li>• North Fish Hatchery Road Reconstruction (debt issued 2019, 2020, 2021)</li> <li>• Pike Drive Extension East (TBD)</li> <li>• Traceway Drive Extension (TBD)</li> <li>• Ochalla Drive Extension (2023)</li> <li>• Visioning for Fish Hatchery Road Corridor (2019-2020)</li> <li>• Development Incentives</li> </ul>	Maximum Life 2044
TID #11 – Clean-fill site	2018 \$436,200	-\$54,700 *Decrement excl from total	<ul style="list-style-type: none"> <li>• North East Water Main Loop (TBD)</li> <li>• Sewer Costs (TBD)</li> <li>• Development Incentives</li> </ul>	Maximum Life 2046
TID #12 – Promega	2018 \$128,190,000	\$89,557,800	<ul style="list-style-type: none"> <li>• Fahey Glen Extension (2020)</li> <li>• Reconstruct E. Cheryl Roundabout (2020)</li> <li>• Mill/Resurface, Sidewalks, Traffic Calming, Lighting Retrofit on E. Cheryl Parkway (2021)</li> <li>• Development Incentives</li> </ul>	Estimated 2033 Closure Based on Current Project Plan
TID #13 - Uptown	2018 \$16,000 2020 amended \$16,139,100	\$17,382,800	<ul style="list-style-type: none"> <li>• Road Extensions, paid by special assessments (2019-2022)</li> <li>• Environmental Analysis &amp; Remediation</li> <li>• E. Cheryl Pkwy/Syene Intersection (2022-2023)</li> <li>• Development Incentives</li> </ul>	Maximum Life 2039
TID #14 – Hartung Property	n/a	\$-0- (new)	<ul style="list-style-type: none"> <li>• Interceptor Sewer</li> <li>• Nobel Drive Extension</li> <li>• Haight Farm Road</li> <li>• Various Other Road Extensions</li> <li>• Development Incentives</li> </ul>	Maximum Life 2043
TID #15 – Rimrock (transfer from Town of Madison)	\$24,846,800	\$31,701,600	<ul style="list-style-type: none"> <li>• Various Projects While a Town TID</li> <li>• Development Incentives</li> <li>• Affordable Housing Extension (2023)</li> </ul>	Anticipated closure ~2024 plus affordable housing extension
TOTAL as of 1/1/22	\$307,638,200	\$544,805,700		

The Department of Revenue has interactive graphing available on their website for tax increment finance. The next page shows the report for all TIDs in the City of Fitchburg from 2000 to 2019. Similar graphs can be created for TIDs in multiple jurisdictions in Wisconsin and/or specific TIDs within a jurisdiction.

# Tax Increment Finance

