

Financial Management Plan

2021 - 2025



Agenda

Operating Levy

Tax Base

Levy Limits

Expenditure Restraint

OPERATING LEVY

The five year forecast for the operating levy includes both assumptions and future commitments.

We will be discussing:

- The assumptions that staff made for the 2021 forecast and how this looks financially for the development of the budget.
 - Discuss the assumptions that staff made for 2022 through 2025.
 - Talk about the commitments that were built into the forecast.
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OPERATING LEVY

YEAR 1 FORECAST ASSUMPTIONS:
(2021)



2021 Forecast Assumptions (Wages and Fringes)

- Completed a salary projection using a 1.5% cost of living increase on 1/1/2021 for non-union personnel (as was done the last three years).
- Implemented steps at non-union employee anniversaries (as was done the last three years).
- **Union Contracts**
- Included vacant positions as budgeted in 2020.
- 8.9% increase in Healthcare based on the cap in the agreement.
- WRS retirement rates are unchanged except for a slight increase to the Public Safety Rates (.0010 per dollar)

2021 Forecast Assumptions (Revenues)

Revenues

- State aids were budgeted with 2020 amounts however the State may require a budget repair bill in early 2021 that may affect the state shared revenues.
- Modest decrease in building permit revenue
- Modest decrease in public accommodation tax (Hotel Tax).
- Decrease in Interest Income.
- Temporarily replaced lost revenue of \$75,000 of hotel tax and \$100,000 of interest income with fund balance.

2021 Forecast Assumptions (Expenditures)

- Operating expenses were held the same as 2020 except for increases in contracts and previous commitments.
- Increase in Fire Department contract for full year expense of 5 firefighters (started in March 2020 with 75% safer grant offset)
- Increases in transit costs for both shared ride taxi and metro bus service
- Increases in cost of fleet operations and vehicles.

Forecast net change to Operating Property Tax Levy

	2020 <u>Budget</u>	2021 <u>Budget</u>	Projected <u>Change</u>
Revenues Non Property Tax	9,478,608	9,210,324	(268,284)
Expenditures			
General Govt	5,325,527	5,329,488	3,961
Public Safety	13,578,348	14,240,667	662,319
Public Works	3,384,867	3,433,947	49,079
Culture, Recreation & Education	2,331,255	2,333,567	2,312
Conservation & Development	981,860	1,014,812	32,952
Other Financing Uses	<u>2,118,941</u>	<u>2,297,193</u>	<u>178,252</u>
	27,720,798	28,649,673	928,875
Property Taxes	17,979,981	19,439,349	1,197,159
Fund Balance Applied for Expenses	(262,209)	-	

OPERATING LEVY:

YEAR 2-5 FORECAST ASSUMPTIONS:(2022 –
2025)



2022 - 2025 Forecast Assumptions

WAGES AND FRINGES

- 2% increase to wages and fringes
- 7% increase to health care costs
- No increase to retirement allocations

REVENUES

Held revenues flat for 2022 and modest increases to revenues for 2023 – 2025.

EXPENDITURES

No increase to operating expenses for 2022

Modest increases to operating expenses for 2023 – 2025.

Third year of safer grant (grant reduced to 35% for five new firefighters) in 2022 and eliminated in 2023.

Forecast net change to Operating Property Tax Levy

	2022 <u>Budget</u>	2023 <u>Budget</u>	2024 <u>Budget</u>	2025 <u>Budget</u>
Revenues Non Property Tax	9,180,564	9,031,245	9,162,480	9,270,268
Expenditures				
General Govt	5,614,259	5,773,283	6,053,918	6,207,682
Public Safety	14,754,088	15,174,664	15,538,906	15,918,236
Public Works	3,696,458	3,600,637	3,715,794	3,836,707
Culture, Recreation & Education	2,366,459	2,430,378	2,495,705	2,564,579
Conservation & Development	1,054,866	1,085,611	1,117,678	1,151,144
Other Financing Uses	<u>2,338,438</u>	<u>2,426,181</u>	<u>2,516,924</u>	<u>2,610,995</u>
Total Expenses	29,824,568	30,490,753	31,438,925	32,289,343
Property Taxes	20,644,004	21,459,508	22,276,445	23,019,075
Net Change	1,204,655	815,504	816,937	742,630

Historical Property Tax increases

Tax/Budget	Operating Levy	Debt Levy	Total Levy	Increase To Levy	Avg Single Family Home	\$ Increase to the Avg Sgle Family Home	% Tax Increase
2013/2014	12,748,794	6,326,108	19,074,902	-	216,300	(7)	-0.40%
2014/2015	13,007,745	6,574,270	19,582,015	507,113	217,400	30	1.60%
2015/2016	13,546,268	6,648,847	20,195,115	613,100	224,700	15	0.80%
2016/2017	14,310,884	6,619,638	20,930,522	735,407	226,400	44	2.35%
2017/2018	15,715,348	6,460,924	22,176,272	1,245,750	256,000	57	2.95%
2018/2019	16,911,461	6,449,889	23,361,350	1,185,078	258,000	71	3.57%
2019/2020	17,979,981	6,567,043	24,547,024	1,185,674	260,000	52	2.60%

OPERATING LEVY

COMMITMENTS



OPERATING LEVY COMMITMENTS

(PUBLIC SAFETY)

UNION CONTRACTS:

- POLICE – WPPA
- EMS – IAFF

FIRE DEPARTMENT 24 HOUR SERVICE AT THE WESTSIDE BUILDING

- 5 FULL-TIME FIREFIGHTERS (OFFSET WITH SAFER GRANT)
 - 2020 FIRST YEAR START IN MARCH (OFFSET 75%)
 - 2021 (OFFSET 75%)
 - 2022 (OFFSET 35%)
 - 2023 FULL COST TO THE CITY

EMS THIRD AMBULANCE

- EXPECTED TO BE NEEDED BY 2022 AND IMPLEMENTED 2023

POLICE DEPARTMENT STAFFING

- ADDITION OF 2 POLICE OFFICERS IN 2021 AND ONE POLICE OFFICER EACH YEAR THEREAFTER

OPERATING LEVY COMMITMENTS

(NON PUBLIC SAFETY)

METRO BUS SERVICE:

- INCREASE DUE TO MADISON METRO INVESTMENT IN INFRASTRUCTURE

SUN PRAIRIE PUBLIC LIBRARY

- INVESTMENT TO MAINTAIN TAX EXEMPT STATUS BASED ON APPROPRIATIONS RELATIVE TO TID OUT EQUALIZED VALUE

FLEET INSERVICE FUND

- FLEET REPLACEMENT PLAN GENERALLY INCREASES YEAR OVER YEAR

VACANT POSITIONS

- MANAGEMENT ANALYST
 - HR GENERALIST
 - PW MAINTENANCE WORKER
 - FORESTRY MAINTENANCE WORKER
 - SPECIAL EVENTS COORDINATOR
 - PERMIT SPECIALIST
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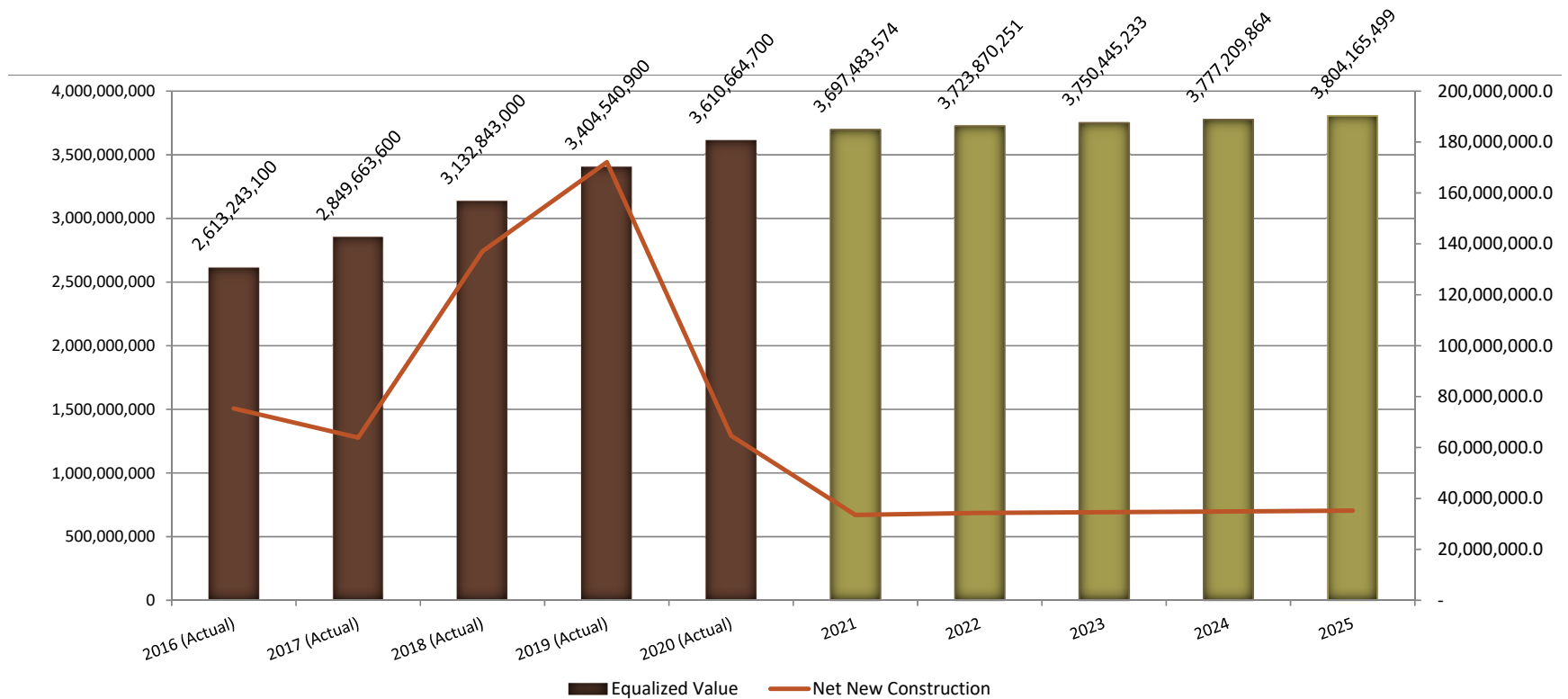
TAX BASE

(2021-2025)

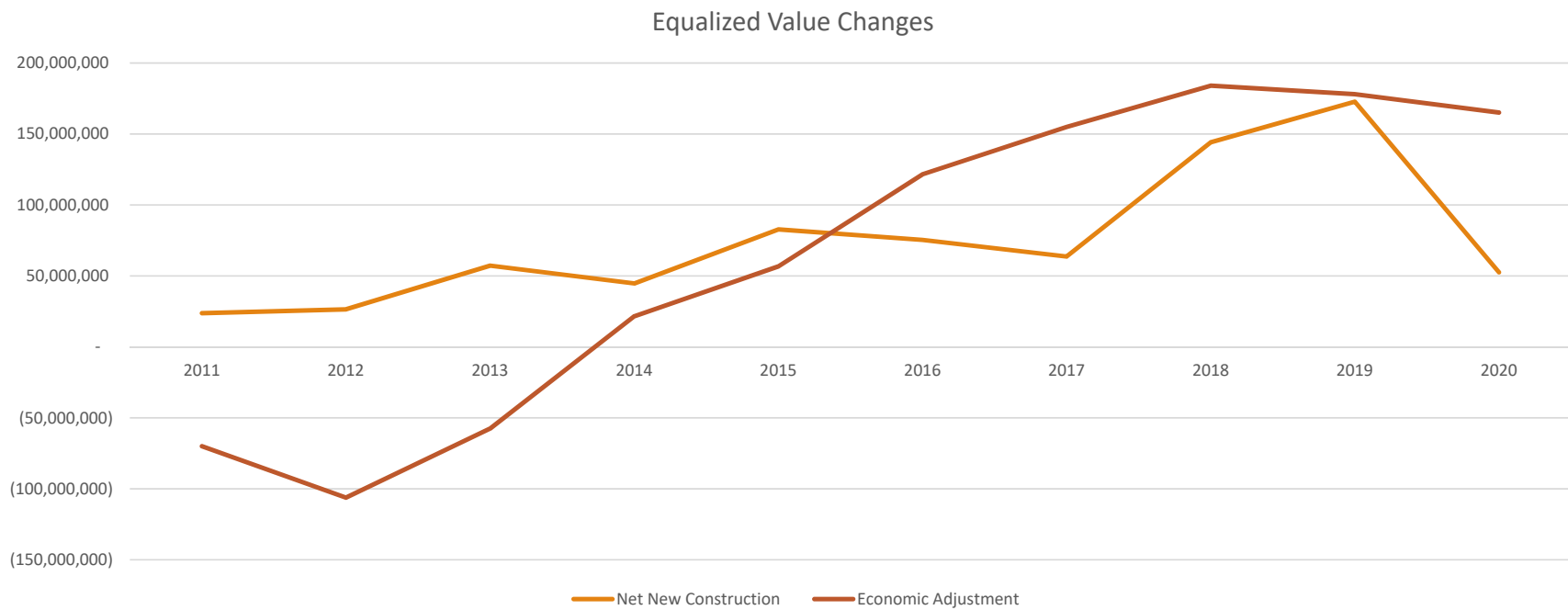


Equalized Value Forecast

Actual and Projected TID OUT Equalized Valuation Growth



Changes in Equalized Value Over Time



EXPENDITURE RESTRAINT

Why is net new construction so important to Expenditure Restraint?

Expenditure Restraint for 2020 Budget (2021 Grant)

Net new construction during 2018	172,752,000.00
2018 total equalized value	3,310,111,700.00
Percentage increase	5.219%
Adjustment factor	60.00%
Adjusted percent increase	3.131%
Maximum allowable increase	2.00%
Your growth factor	2.000%
Consumer Price Index (est.)	1.90%
Total limit your municipality must be under	3.9%
2019 General Fund budget	27,452,618.00
2020 allowable General Fund increase	1,070,652.10

Estimate of Expenditure Restraint for 2021 Budget (2022 Grant)

Net new construction during 2019	52,562,200.00
2019 total equalized value	3,634,094,300.00
Percentage increase	1.446%
Adjustment factor	60.00%
Adjusted percent increase	0.868%
Maximum allowable increase	2.00%
Your growth factor	0.868%
Consumer Price Index (est.)	1.04%
Total limit your municipality must be under	1.9%
2020 General Fund budget	27,452,618.00
2021 allowable General Fund increase	521,599.74

EXPENDITURE RESTRAINT

Base Scenario

Budget Year	2019	2020	2021	2022	2023	2024
Payment Year	2020	2021	2022	2023	2024	2025
Forecasted Net New Construction (60%)*	2.90%	3.13%	0.87%	0.00%	0.00%	0.65%
Forecasted CPI-U Increase	2.00%	1.90%	1.04%	1.10%	1.15%	1.25%
Maximum Increase to Qualify	4.40%	3.90%	1.91%	1.10%	1.15%	1.90%
Projected Increase	3.24%	4.10%	2.23%	3.11%	2.70%	2.70%
Qualify	Yes	Yes	No	No	No	No

*Net New Construction Capped @ 2% Under Current Law

The current CPI increase from September through June is 1.04%. The CPI could increase faster than projected.

LEVY LIMITS

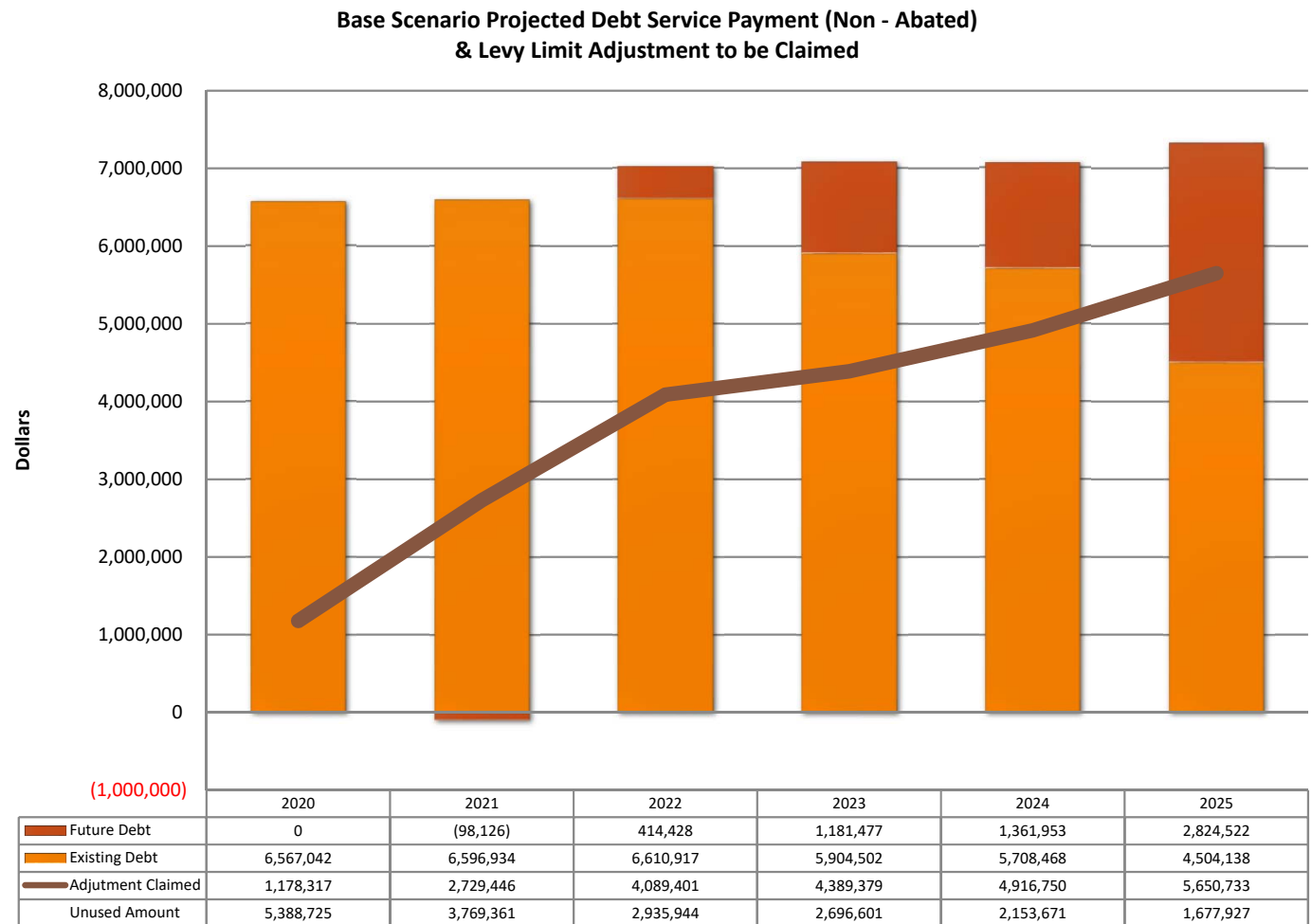
LEVY LIMIT CALCULATION

The base levy, set in 2012, is adjusted by the % increase in net new construction and miscellaneous other adjustments. If the % of tax levy increases faster than % of net new construction, additional debt service adjustments are required.

	Net New Construction % of Equalized Value	% Levy Increase	Historical Debt Service Adjustment
2013	2.43%	-1.10%	181,555
2014	1.89%	2.70%	339,058
2015	3.43%	3.13%	93,712
2016	2.94%	3.64%	315,739
2017	2.30%	5.95%	926,411
2018	4.83%	5.88%	1,202,552
2019	5.22%	4.99%	1,178,317
2020	1.45%	5.20%	2,120,881

LEVY LIMITS

The City is allowed an adjustment to the levy limit for the annual debt service levy. In 2020 the debt service levy was \$6.5 million and the adjustment claimed was \$1.2 million. This leaves an adjustment capacity of \$5.3 million. The 5 year forecast (to the right) estimates that the adjustment claimed in 2025 will be \$5.7 million leaving an unused amount of \$1.7 million. It is estimated the City will reach levy limits in 2026 or 2027.



Foundations of the CIP Model

The benchmarks in the Debt Management Policy are designed to maintain a strong credit assessment, prevent the debt levy from encroaching on the operating levy and to allow growth in the debt levy as the City's tax base grows.

The current CIP model sets the maximum general obligation debt, abated by financial sources other than the debt levy for the City's replacement plan to \$5.5 million.

Further the \$5.5 million is allocated to the City's infrastructure replacement as follows:

- \$4.5 million to street rehabilitation and/or reconstruction
- \$200,000 to various trail maintenance
- \$300,000 to facility maintenance
- \$300,000 to park maintenance
- \$200,000 to miscellaneous projects or annual adjustments based on the project.

How does this affect the Levy

As new value comes into the City (net new construction and appreciation) the debt policy sets the standard for the percent of the corresponding taxes that can be allocated to

- the debt levy (27.5%)
- the operating levy (72.5%).

This allows for:

- Growth of the infrastructure replacement plan as the City adds additional infrastructure due to growth.
- An increase in the debt service levy adjustment to increase general fund expenditures under Levy Limits.

MOODYS CREDIT ASSESSMENT

City of Sun Prairie		Actual Rating:		Moody's Aa2	
Key Indicators Assessment ¹					
Factor	Value	Assessment	Category		
Tax Base Size: Full Value	3,634,094,300	Strong	Aa		
Full Value Per Capita	110,941	Strong	Aa		
Socioeconomic Indices: MFI	118.10%	Strong	Aa		
Fund Balance as % of Revenues	36.30%	Very Strong	Aaa		
Cash Balance as % of Revenues	48.30%	Very Strong	Aaa		
Net Direct Debt/Full Value	2.10%	Moderate	A		
Net Direct Debt/Operating Revenues	2.00	Moderate	A		
Moody's Adjusted Net Pension Liability (3 Year Average) to Full Value	0.60%	Very Strong	Aaa		
Moody's Adjusted Net Pension Liability (3 Year Average) to Operating Revenues	0.01	Very Strong	Aaa		
¹ Based on Moody's Investors Service "US Local Government General Obligation Debt" Rating Methodology dated December, 2016. Data (2015) taken from May 31, 2017 Credit Opinion.					

MOODY'S KEY INDICATORS

MOODY'S KEY INDICATORS (CONT.)

Summary of Rating Rationale

- The Aa2 GO rating primarily reflects the city's large tax base, located within commuting distance of Madison, sound financial operations with healthy reserves and modest pension burden. The rating also incorporates the city's somewhat above average debt burden and limited revenue raising ability.
- What could make the rating go up?
 - Continued tax base growth
 - Improved reserves and liquidity
 - Moderation of debt and fixed cost burdens
- What could make the rating go down?
 - Tax base declines or weakening of resident income levels
 - Declines in operating reserves or liquidity
 - Growth in debt burden or fixed costs