



2024 Financial Management Plan Update

Key Assumptions

- Valuation Forecast
 - ✓ Economic appreciation – 3.79%
 - ✓ Net new construction – 2% for 2025, 1.35% each year after
 - ✓ TID Closures
 - TIDs 8 & 9 close in 2025 (first benefits 2027 budget)
 - TID 13 closes in 2027 (first benefits 2029 budget)
 - Projected closures assume all three TIDs are extended for one year for affordable housing

Key Assumptions

- Operating funds model reflects cost to continue – no initiatives
 - ✓ FAC savings of \$95K in 2027 factored in (assumes project proceeds)
- Major cost category annual increases

Expense Category	Annual Increase
Health Insurance	10%
Wages	4% – 5% (Union per contract)
Property & Liability Insurance	5%
Other Employee Insurance	4% (except dental, at 0%)
General Commodities	3%
Services	1%

Capital Improvements Plan (2024 – 2034)

- \$198.6 million in debt financed projects
 - ✓ Library - \$26.037million (2024)
 - ✓ FAC Bathhouse Renovation - \$7.1 million (2025)
 - ✓ PW Campus - \$45 million (2029)
- Requires an \$820,000 increase in debt levy each year for 11 years

Budget Year	Debt Levy
2024	\$ 7,275,747
2035	\$ 16,285,753
Change	\$ 9,010,006

Tax Levy and Rate

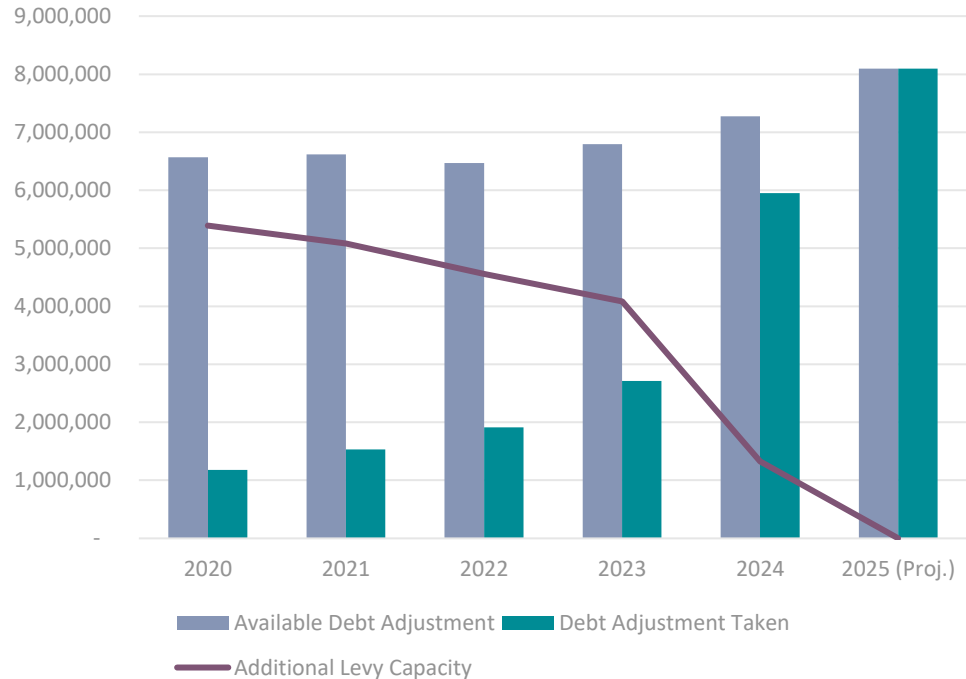
	Actual				Budget 2024	Projected				
	2020	2021	2022	2023		2025	2026	2027	2028	2029
General Fund Levy	17,979,980	18,638,111	20,106,530	21,405,139	24,957,744	26,835,505	28,759,536	30,215,349	31,257,961	31,400,853
Debt Service Levy	6,567,043	6,618,831	6,469,805	6,796,436	7,275,747	8,094,980	8,911,219	9,731,049	10,551,338	11,372,035
TOTAL PROPERTY TAX LEVY	24,547,023	25,256,942	26,576,335	28,201,575	32,233,491	34,930,485	37,670,755	39,946,398	41,809,299	42,772,888
Change in Levy		3%	5%	6%	14%	8%	8%	6%	5%	2%
Equalized VALUE (TID OUT)	3,404,540,900	3,610,664,700	3,896,106,100	4,464,398,400	5,084,169,000	5,378,941,730	5,655,841,833	6,188,054,950	6,506,607,026	6,899,277,999
TAX RATE	\$7.21	\$7.00	\$6.82	\$6.32	\$6.34	\$6.49	\$6.66	\$6.46	\$6.43	\$6.20
TAX RATE DELTA (\$)		(\$0.21)	(\$0.17)	(\$0.50)	\$0.02	\$0.15	\$0.17	(\$0.21)	(\$0.03)	(\$0.23)
Typical Home Value					\$377,200	\$391,514	\$406,370	\$421,791	\$437,797	\$454,410
Taxes on Typical Home					\$2,391.44	\$2,542.46	\$2,706.63	\$2,722.83	\$2,813.14	\$2,817.17
Taxes Delta (\$)						\$151.03	\$164.17	\$16.20	\$90.31	\$4.03

Levy Limits Explained

- Annual levy limit increase is limited to a percentage equal to prior year net new construction
- G.O. debt payments are exempt from limit
- Fees or increases in fees for garbage collection, fire protection, snow plowing, street sweeping, and stormwater management reduce levy limit
- Can be exceeded by referendum

Levy Limit Impact to City

- City has for many years benefitted from not needing to claim its full allowable debt service adjustment
 - ✓ This additional capacity will be exhausted in 2025 – City will need to begin claiming entire levy



Levy Limit Impact to City

- Projection indicates required 2025 budget levy will exceed levy limit by about \$26,000
- In 2026, projection indicates levy will exceed limit by approximately \$1.5 million

Expenditure Restraint Explained

- Supplemental shared revenue payment paid to municipalities that limit increases in General Fund expenditures
- Tax rate must be $> \$5$ per thousand to qualify
- Increase in expenditures must be limited to a percentage equal to a DOR established inflation factor (i.e. CIP change) plus 60% of prior year net new construction
- Program funded at \$58 million per year – payment amounts to specific municipalities will vary depending on # qualifiers

Expenditure Restraint Impact to City

- Projections indicate expenditures will exceed ERP qualification, although inflation adjustment difficult to predict
- City has tools to maintain compliance –
 - ✓ Transfer ERP payment out to capital projects
 - ✓ Move Library and Recreation Fund expenditures out of General Fund
- We anticipate the City will have to “reset” and break expenditure restraint by the 2027 budget

Conclusions

- Aggressive capital improvements plan will put pressure on City's "leverage" metric in the context of its bond rating
 - ✓ 2029 timing of public works campus may need to be re-evaluated



	Factor or Sub-factor Weight	Aaa	Aa	A
Factor: Leverage (30%)				
Long-term Liabilities Ratio ((Debt + ANPL + Adjusted Net OPEB + Other Long-Term Liabilities) / Revenue) ^{*6}	20%	≤ 100%	100 - 200%	200 - 350%
			180.7%	
Fixed-Costs Ratio (Adjusted Fixed Costs / Revenue) ^{*7}	10%	≤ 10%	10 - 15%	15 - 20%
		9.5%		

Conclusions (cont.)

- While not paid from property tax, SPU debt for new facility and projected debt for WWTP projects is debt for purposes of calculating leverage factors
 - ✓ SPU – \$30MM (+/-) W&L Revenue Bond issuance in 2024
 - ✓ Sewer - \$24MM (+/-) Sewer System Revenue Bonds in 2025

Conclusions (cont.)

- Because percentage increases in the cost to provide services exceed net new construction percentages, levy limits are problematic – not unique to the City
- Minimal to no room for initiatives moving forward, absent reductions in other areas or new sources of revenue
- City will need to consider alternatives to make future budgets work under levy limits
 - ✓ Alternatives include: New fees, Operating referendum, reductions in services

