CITY OF STOUGHTON
FINANCE DEPARTMENT
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To: Finance Committee members
Mayor Tim Swadley
From: Dave Ehlinger
Re: Budget 2023 commentary
Date: June 23, 2022

As I am preparing to work on the proposed budget for 2023, I thought I would share some comments with you as well as start the conversation on other items. These are listed in no particular order.

Commentary items

1. The city has not been following Wisconsin Statute 65.90(2) regarding data presented in the budget. Thus, we will need to add the items below to the documentation:
    a. Actual revenues and expenditures for not less than the first six months of the current year, and
    b. Estimated revenues and expenditures for the balance of the current year.

    The departments have already been including their current year projections in BS&A so this will not be additional work for them. By adding these columns, this will probably reduce the number of past history columns available when considering readability.

2. We should be using the BS&A budget software for presentations supplemented by PowerPoint or Excel documents. The BS&A software is our primary tool to ensure that departments do not exceed authorized expenditures. Human errors can occur when having to double enter budgets into both BS&A and Excel. There have been instances found where CIP (Capital Improvement Plan) projects have not been entered in BS&A.

3. Budgets should be prepared using the same accounting method used in the financial statements. Thus, activity for the *Stormwater Utility* fund and *Emergency Medical Services* (EMS) fund should be presented as Business Type fund as opposed to Governmental. This will change how debt and capital asset activity is recorded.

4. While it is assumed to be caused by human error, there have been instances where budgeted revenues have not matched budgeted expenditures. In other words, the budgets have not always been balanced. By using BS&A as the primary reporting tool, this will help to ensure that budgets are balanced.

5. You will note that activity may be posted in other areas than has been done in the past. Multiple instances have been found where the general ledger, financial statements, and Form C categories have been inconsistent. (*Form C is our annual report to the Wisconsin Department of Revenue).* A good example of this is the general ledger

recorded charges to the towns for EMS & fire services as Public Charges, Town Charges, and Miscellaneous Revenues (all at once for the same activity).

6. While again assumed to be caused by human error, budgeted Transfers In and Transfers Out have not always been equal. One partial solution is that property tax revenue will be posted directly to each fund rather than transferred in and out. This direct reporting of property tax will also cut down on unnecessary journal entries.

Discussion points -- All of these items below are somewhat inter-related.

7. Capital Improvement Plan (CIP) – As the name implies, a capital item has an estimated useful life of over one year and is depreciated. The current CIP policy indicates a group of similar items" should be part of the CIP. However, unless those items all need to be present to allow the asset to work, they should each be considered separately. Examples of this from the 2022 CIP include 28 handgun replacements ($8,000 total) and two rifle replacements ($4,000) total. In both cases, each firearm can operate independently. *Consideration needed to possible remove grouping.*

8. Both the CIP and Debt Policies are silent regarding any limitations on what type of capital expenditures should be included in a debt issue. Also, should there be a lower limit on bonding for a capital asset?

9. The more items that are moved out of capital expenditures with related debt thus increases the amount of operating expenditures that are limited by statute. Whether you agree with the current levy limit law or not, we have had to follow it for at least a decade now. *The low hanging fruit for finding savings in the budget was picked a long time ago.* The following figures do not bode well for the creation of the 2023 budget:

   Consumer price index inflation – April 2022 = 7.9%
   Source: https://www.revenue.wi.gov/DORReports/2022-04-monthly-econ-update.pdf
   Net New Construction – Three-year average for City of Stoughton = 1.55%
   Source: https://www.revenue.wi.gov/Pages/EQU/nnc.aspx

Report Year	Budget Year	City of Stoughton		
		Allowed Increase	Averages	
			Three Yr	Five Yr
2012	2013	0.35%	n/a	n/a
2013	2014	0.45%	n/a	n/a
2014	2015	0.82%	0.54%	n/a
2015	2016	1.11%	0.79%	n/a
2016	2017	1.94%	1.29%	0.93%
2017	2018	1.75%	1.60%	1.21%
2018	2019	1.59%	1.76%	1.44%
2019	2020	1.48%	1.61%	1.57%
2020	2021	1.84%	1.64%	1.72%
2021	2022	1.32%	1.55%	1.60%