Is it really budget season already?

City of Stoughton, CIP Committee meeting #1 – 2024 budget – 08/10/2023

City of Stoughton – Budget process

Phase One – Ad Hoc CIP (Capital Improvement Plan) Committee

- This is essentially for the Ad Hoc CIP Committee to recommend approval of how much debt to issue to the Common Council.

Phase Two – Committee of the Whole

- The Committee of the Whole reviews departmental operating budgets
- Given the current levy limit statutes, we essentially need to "tax to the max" to ensure the City is not hurting ourselves in future years.
- If a department asks for a tax levy increase percentage this is more than the statutorily allowed increase percentage, we essentially have to make a reduction to another department, unless…..
- ….additional revenues can be found….

Phase Three – Common Council

- Adopts the annual budget and sets the property tax levy

Current levy limit statutes

Debt Levy

- Debt cannot be used to pay for operational costs – i.e. only capital expenses
- There is essentially no limit to the amount of debt levy the City can have.
- The only limit is the statutory limit for the dollar amount of debt that the City can have.
  - The state limit is 5% of equalized value.
  - The City has a policy not to exceed 4% of equalized value.
  - The 2022 audited financials indicate we are at 2.34%, which is well below the City's policy.

Equalized value – This is a methodology by the Wisconsin Department of Revenue to "restate" the assessed value of property for a city, town, village, school district or sanitation district as if assessed value equals market value. Since the City of Stoughton historically has assessed values at market value, the values for assessed value and equalized value are interchangeable.

Operational levy

- This is the tough one to deal with!!!
- The current levy limit statutes have been in place for 12 years now (budget year 2013). *[The low hanging fruit was picked a long time ago…….]*
- Allowed increase = Equalized value increase due to any new construction less any buildings removed.
  - In essence – What was the selling price of that new home?
- The statute does not care about what the price increases for for wages, gasoline, groceries, insurance policies, Microsoft software, vendor contracts or bubble gum.
- *Notice the disconnect? We are limited to 1.99% increase in the tax levy for net new construction yet the most recent CPI-U number announced by the Wisconsin Department of Revenue was 6.26% for wage contracts beginning 01/01/2024.*

Supplemental Shared Revenue

We are extremely grateful to the Wisconsin Legislature and Governor for the increase in Supplemental Shared Revenue!!!!!

- New for budget year 2024 as a **sustainable** revenue source based upon sales tax collections.
- The City of Stoughton will receive $323,825 for 2024 and is scheduled to get $331,345 for 2025.
- These additional funds can only be used for the following areas:
  - Police Department
  - Fire Department
  - Public Works (Streets only, not Parks or Cemetery)
  - Emergency Medical Services
  - Municipal Court
  - Inspection (part of Planning & Development)

Mill rates

- The mill rate is essentially the property tax rate per $1,000 of assessed value.
- The formula for calculation is fairly simple

  Total Levy / Equalized Value (TID out) * 1,000 = Mill Rate

- If the numerator (total levy) increases by a smaller percentage than the denominator (equalized value) the math indicates the result (mill rate) will decrease.
- Numerator - Allowed Net New Construction (preliminary number as of 7/27/2023) – 1.99%
- Denominator – Equalized value increase (preliminary number as of 7/26/2023) – 13.66%
- *Note: Debt levy values are estimated. Debt Issue 2023A is in progress.*

Description	Adopted 2023	Projected 2024	Increase (Decrease) Dollar	Increase (Decrease) Percent
Operational Levy	$ 6,532,620	$ 6,689,134	$ 156,514	2.40%
Debt Levy	$ 3,978,674	$ 4,400,000	$ 421,326	10.59%
Total Levy	$ 10,511,294	$ 11,089,134	$ 577,840	5.50%
Equalized Value (TID out)	$ 1,499,453,200	$ 1,704,238,900	$ 204,785,700	13.66%
Mill Rate	$ 7.0101	$ 6.5068	$ (0.5033)	-7.18%
Effect on $100,000 property	$ 701.01	$ 650.68	$ (50.33)	-7.18%

Smooth sailing?

We have 2nd best year for net new construction allowed increases ($156,514).

We have a new sustainable revenue from the State of Wisconsin ($323,825)

That is close to $0.5 million in additional revenues!

This should be an easy budget year, right?

Um.....no.....

Once you start looking at the numbers.....

Description		Net New Construction Limits	Supplemental Shared Revenue
Increased revenues		$ 156,514	323,825
Less health insurance increase at 15%	A	$ (94,689)	(96,639)
Less wage increase at 2.0%	B,C	(86,039)	(172,078)
Remaining amount available (deficit)	D, E	$ (24,214)	$ 55,108

A. Quartz has informed the City of Stoughton to expect a 12% to 15% increase in premiums for 2024.

B. The 2.0% increase shown above is not reasonable for continued employee retention and hiring, but is shown here to give an idea of how little is available.

C. The Police union contract has been settled for calendar years 2023 and 2024. The contracted amount for 2024 is for a minimum increase of 1.5% with a match as to whatever increase is given to the other City employees for 2025.

D. For the departments that did not receive supplemental shared revenues, the choices available are (1) find new revenues, (2) decrease expenditures or (3) use fund balance.

E. The remaining $55,108 will certainly not go far to cover all other expenditure increases. Thus, we need to again either (1) find new revenues, (2) decrease expenditures or (3) use fund balance.

QUESTIONS?