



City of River Falls 2017-2018 Budget Supplement

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TRANSMITTAL LETTER



TO: Mayor Toland and City Council

FROM: Alan Rolek, Finance Director

DATE: October 10, 2017

TITLE: **2017-2018 Budget Supplement Information**

BACKGROUND

In 2016, the City of River Falls adopted its second two-year budget ([web pdf](#)) for Fiscal Years 2017-2018. A two-year budget allows staff to plan ahead and set goals for the two-year period under the direction of the City Council. In addition, it reduces the staff time spent on the budgeting process and allows staff to focus on service delivery and improving City operations. Two-year budgeting empowers departments with more flexibility to manage their revenues and costs.

Wisconsin Statutes do not allow for adopting a two-year levy, however, and the City is required to follow the budgetary process of setting a public hearing date and approving the budget ordinance for the 2018 levy. The first reading of the 2018 levy and budget ordinance is scheduled for November 14, and the public hearing and ordinance adoption is scheduled for November 28.

The first year of the two-year budget cycle provided a favorable experience for the City of River Falls. Revenues were consistent with expectations in most areas and departmental savings were realized. This provides an opportunity to fund additional priorities in the second year of the two-year budget without changing the original proposed levy for 2018. These priorities will be funded from nontax revenues in 2018 and reallocations of existing resources. Some additional priorities in the budget include funding for additional funding for the Kinnickinnic River Corridor Plan and the Glen Park Master Plan Implementation.

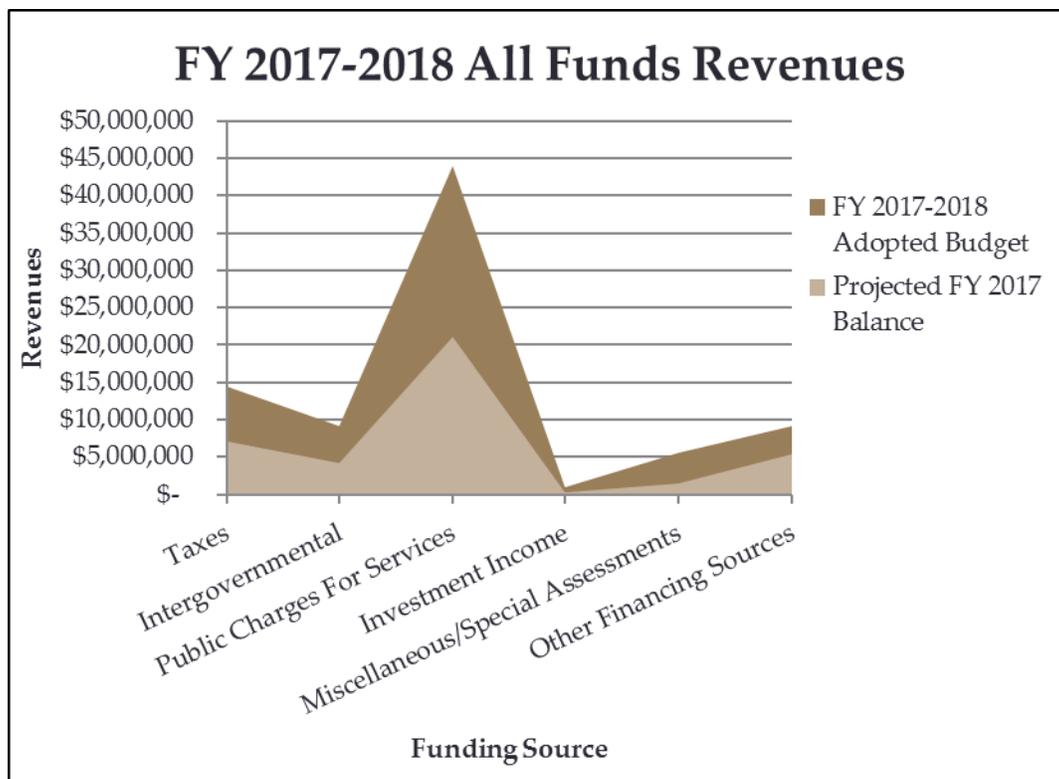
The following pages contain a review of the 2017 budget experience, current budget levels, future budget projections, and the adopted budget for 2018. There is no change recommended for the 2018 budget and levy that was originally proposed in 2016.

FISCAL YEAR 2017 BUDGET REVIEW

The 2017 results-to-date show that most departments are operating in the environment of two separate budget years instead of a true biennial budget. This allows for consistent comparisons between years, and is a reasonable response for managers that are accustomed to annual budgeting. However, department directors are aware that the City is, in fact, managing a true biennial budget and they are encouraged to approach operations in a two-year cycle.

All Funds Overview

The budget totals \$82,985,116 for all funds. Projected revenues at the end of 2017 are expected to be 48% of budgeted, and expenditures/expenses at about 46% of budgeted. Some funds, such as water and wastewater have planned surpluses for the two-year period, so estimated revenues in excess of expenses is expected.

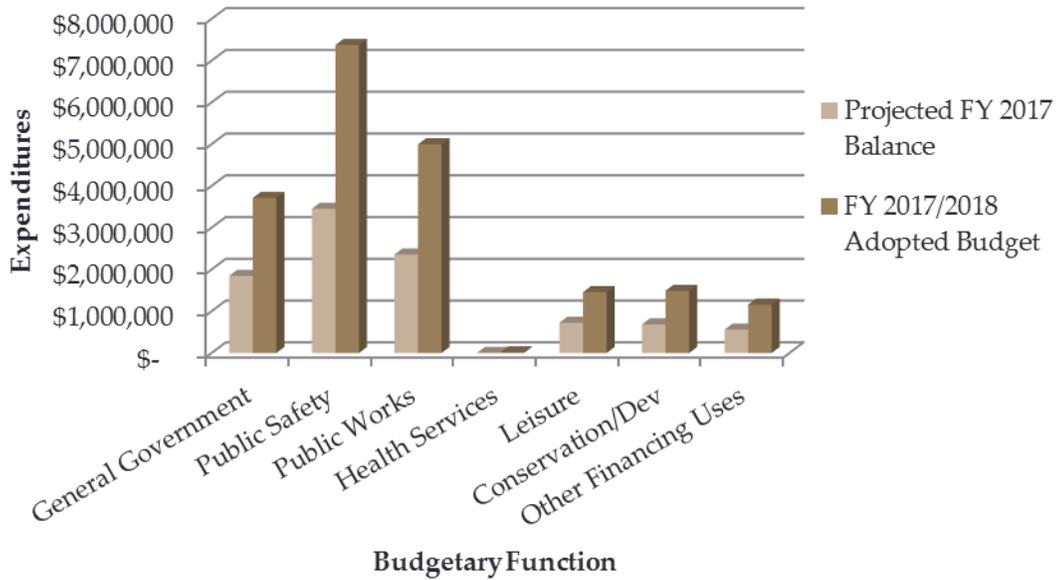


General Fund

The General fund receives the most attention in budget discussions, as the funding focus is generally tax and aid-funded operations such as police, fire, public works maintenance, and parks. The City's General Fund revenues are slightly higher than expected. Use of fund balance for succession planning in certain positions and savings in health insurance is not anticipated to be needed in 2017, and revenues look to be sufficient to cover expenditures. The projected results for the 2017 fiscal year include an increase in the fund balance of approximately \$160,000. Use of fund balance is again included for next year to balance the 2018 budget.

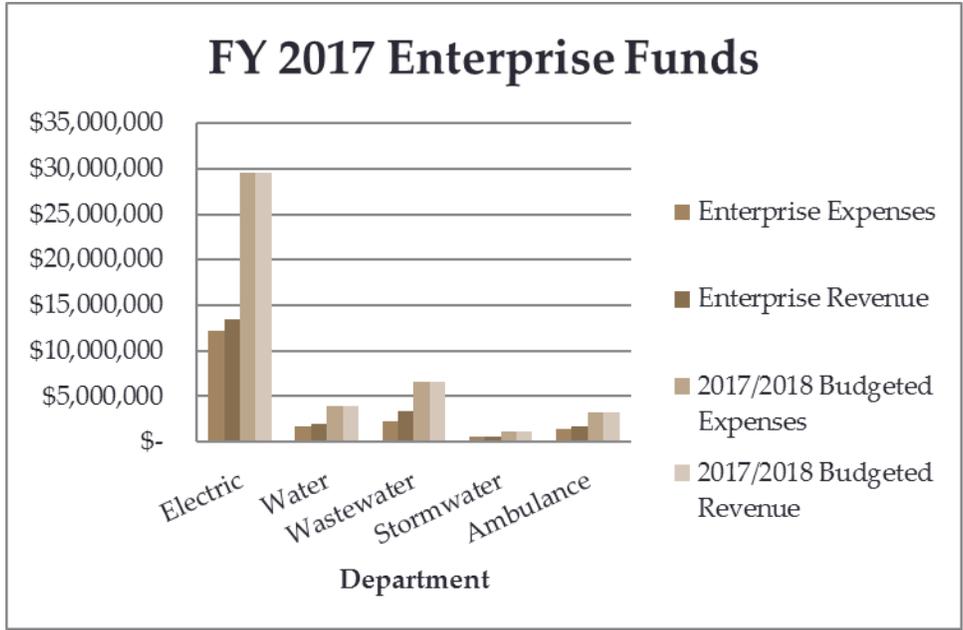
Expenditures in 2017 are also lower than estimates. Expenditure savings are expected to be realized from the Council contingency fund and operating costs savings in the 2017-2018 Budget.

FY 2017-18 General Fund Expenditures



Enterprise Funds

The City's Enterprise Funds include electric, water, wastewater, storm water, and ambulance. Looking at these funds as a whole, revenues are projected to be somewhat less than budgeted, largely due to lower than expected electric and storm water revenues. With the exception of the stormwater fund, all enterprise funds are projected to run surpluses for 2017. The electric fund is currently projected at a surplus of \$1.29 million and the water fund is projected at a surplus of \$206,000. While water revenues are up over previous years due to the adjustment in water rates, they are still lower than budgeted. In addition, increased costs for water repairs, water studies, and continuation of the cross-connection inspection program have increased water expenditures. The wastewater fund is projected at a surplus of just over \$1 million for 2017.



No changes are proposed for Fiscal Year 2018 of the 2017-2018 Budget. The adopted budget is aligned with operations and is felt to support the City’s strategic priorities. While there have been and is expected to be shifts in personnel positions in the Operations, Public Works and Ambulance areas, these shifts will be accommodated in the adopted budget.

Capital Projects Funds

The City uses two Capital Project Funds, one for general infrastructure projects and one for replacement of vehicles and equipment. Both funds follow the [2017-2021 Capital Improvement Plan](#) approved by the City Council in 2016.

No changes are proposed to the 2017-2018 budget regarding capital projects in 2018. The proposed projects and projections in the CIP are considered to be accurate at this time.

FISCAL YEAR 2018 BUDGET UPDATES

Strategic Priorities

The City’s two-year budget has allowed the City to reallocate resources to long-term planning and the achievement of the [Strategic Plan](#). This new budget process has provided a great tool to aid the City in ensuring financial sustainability. The table below displays the funding sources for all government operations and shows the changes in budget allocations.

Funding Source	2017 Budgeted	2017 Projected	2017-2018 Budgeted
Taxes	\$7,035,044	\$7,035,044	\$14,383,075
Intergovernmental	4,249,806	4,249,806	9,057,883
Public Charges for Services	21,766,816	21,051,195	43,885,445
Investment Income	490,203	278,228	980,940
Miscellaneous/Special Assessments	3,147,842	1,428,885	5,530,651
Other Financing Sources	4,466,212	5,357,076	9,147,125
TOTAL	\$41,155,923	\$39,400,234	\$82,985,116

Because of the fiscal stability demonstrated by increased revenues, City staff continues to focus on consistently delivering quality municipal services, promoting economic vitality, connecting community spaces, and considering future generations. The 2018 budget expenditures reflect the prioritization of projects that align with the achievement of these goals and a continued focus on enhancing the operational efficiencies of the organization. The table below shows the proposed expenditure changes by government function.

Function	2017 Budgeted	2017 Projected	2017-2018 Budgeted
General Government	\$3,108,470	\$2,916,698	\$6,222,562
Public Safety	5,325,958	5,045,413	\$10,654,159
Public Works	22,062,652	20,150,802	\$44,310,513
Health	9,005	3,000	\$19,045
Leisure Services	1,998,625	1,925,060	\$4,278,453
Conservation/ Development	3,997,579	3,526,697	\$6,940,155
Capital Outlay	1,061,750	1,302,033	\$3,535,370
Other Financing Uses	3,591,883	3,133,935	\$7,024,862
TOTAL	\$41,155,922	\$38,003,638	\$82,985,116

PROPOSED TAX LEVY

The current budget process has allowed departments to strategically plan and fund projects responsibly over Fiscal Years 2017 and 2018. The City is continuing to follow the strategy outlined in the draft [2014-2019 Fiscal Plan](#), which is a path that provides long-term fiscal solvency to achieve the City’s long-term goals. The following table shows the estimated levy per the adopted fiscal plan with the actual and proposed levies for 2017 and 2018:

<u>Fund Type</u>	2017 Levy Year		2018 Levy Year	
	<u>Per Fiscal Plan</u>	<u>Approved 2017</u>	<u>Per Fiscal Plan</u>	<u>Proposed 2018</u>
General Fund	\$3,472,911	\$3,556,922	\$3,639,573	\$3,623,566
Library Fund	890,824	860,000	922,803	880,000
Debt Service	1,019,610	1,067,491	1,148,200	1,095,803
Capital Projects	<u>379,150</u>	<u>251,357</u>	<u>511,445</u>	<u>622,631</u>
Total	\$5,834,495	\$5,735,770	\$6,222,021	\$6,222,000

Property tax revenue is fully realized by the City due to the policy of the counties to retain any uncollected taxes. The proposed 2018 levy of \$6,222,000 is nearly identical to the fiscal plan estimate.

There is no property tax levy increase in addition to what was already budgeted for 2018. Department Heads continue to be good stewards of public funds, and their responsible spending coupled with modest increases in anticipated revenues allow the City to further support the City Council’s adopted Strategic Priorities.

ASSESSED VALUES

The estimated total assessed property value is \$901,794,800, an increase of \$16,615,900 over last year. The assessed values are 93% of the final equalized (market) values of \$965,444,900 as prepared by the State of Wisconsin. The increase in assessed values, combined with the 2017-18 levy, will move the blended mill rate up to approximately \$6.90 per \$1,000 from the 2017 rate of \$6.56 per \$1,000 of assessed value.

River Falls continues to realize an increase in net new construction for both counties, with Pierce and St. Croix Counties realizing 1.40% and 3.06% growth, respectively. The city remains affordable in relation to the final assessed values. In addition, the proposed levy takes an incremental approach that seeks to maintain the City’s financial capacity in a prudent and fair manner. The fiscal support of the tax levy will maintain the City’s ability to support the future growth of the community.

CONCLUSION

The City's second biennial budget has proven to be a workable and time saving solution for the budgeting process. Departments have the option to maintain annual budgeting practices, or move to consolidation of projects and expenses in one year or another to save time or money. On an annual basis, the 2017 fiscal year is nearly on target with projections with no other anticipated major adjustments due to funding changes.

The increased revenues anticipated in Fiscal Year 2018 will support the City Council's adopted Strategic Priorities and continued organizational updates. The modest personnel changes in Operations, Public Works, and Ambulance are expected to further enhance key operational areas and enrich the customer experience for residents. Additional funds provide key investments for the economic and environmental sustainability of the City through the Mann Valley Corporate Park Master Plan and the Kinnickinnic River Corridor Plan

Staff is pleased to present this budget supplement, consistent with the 2017-2018 Approved Budget and the City's long range fiscal strategy, which reinvests in areas supportive of the City's Strategic Plan, operations, and workforce.

Please do not hesitate to contact me if you have any questions regarding this information.

APPENDIX A: GENERAL FUND SUMMARIES

FY 2017-2018 GENERAL FUND REVENUES

Funding Source	2015/2016 Adopted Budget	Projected 2017 Balance	2017/2018 Adopted Budget
Taxes	\$6,628,668	\$3,698,448	\$7,353,488
Intergovernmental	\$6,248,723	3,188,115	6,487,520
Licenses and Permits	308,000	236,884	390,400
Fines/Forfeitures	370,000	196,095	410,000
Public Charges For Services	\$478,000	407,907	738,910
Investment Income	\$575,000	165,000	600,000
Miscellaneous/ Special Assessments	\$734,250	279,307	997,454
Other Financing Sources	\$3,373,216	1,622,579	3,228,858
Total	\$18,715,857	\$9,794,335	\$20,206,630

FY 2017-2018 GENERAL FUND EXPENDITURES

Function	2015/2016 Adopted Budget	Projected 2017 Balance	2017/2018 Adopted Budget
General Government	\$3,618,361	\$1,846,505	\$3,712,631
Public Safety	\$7,277,437	3,451,913	7,376,160
Public Works	\$4,237,712	2,358,915	4,996,895
Health Services	\$20,080	3,000	19,045
Leisure	\$1,472,507	725,691	1,455,809
Conservation/Development	\$1,253,798	686,341	1,488,985
Other Financing Uses	\$835,962	560,304	1,157,108
Total	\$18,715,857	\$9,632,669	\$20,206,633

APPENDIX B: ENTERPRISE FUND SUMMARIES

FY 2017-2018 ENTERPRISE FUND REVENUES

Funding Source	2015/2016 Adopted Budget	Projected 2017 Balance	2017/2018 Adopted Budget
Charges for Services	27,884,001	13,068,824	28,165,410
Other Revenue	1,321,967	459,164	1,338,150
Electric	\$ 29,205,968	\$ 13,527,989	\$ 29,503,560
Charges for Services	2,619,766	1,611,685	3,244,304
Other Revenue	1,012,534	311,469	756,186
Water	\$ 3,632,300	\$ 1,923,154	\$ 4,000,490
Charges for Services	6,132,561	3,085,054	6,264,826
Other Revenue	202,173	240,672	321,912
Wastewater	\$ 6,334,734	\$ 3,325,727	\$ 6,586,738
Charges for Revenue	1,010,000	550,356	1,074,900
Other Revenue	89,686	285	30,503
Stormwater	\$ 1,099,686	\$ 550,641	\$ 1,105,403
Charges for Revenue	2,306,391	1,357,234	2,720,000
Other Revenue	632,400	358,047	475,000
Ambulance	\$ 2,938,791	\$ 1,715,281	\$ 3,195,000
Total	\$ 43,211,479	\$ 21,042,792	\$ 44,391,191

FY 2017-2018 ENTERPRISE FUND EXPENDITURES

Expenses	2015/2016 Adopted Budget	Projected 2017 Balance	2017/2018 Adopted Budget
Salary/Benefit Allocation	2,526,726	1,213,133	3,133,814
Materials & Services	22,965,647	9,554,914	23,033,882
Depreciation	1,468,000	677,109	1,731,400
Debt Service	-	-	-
Other Financing Uses	2,245,595	792,238	1,604,464
Electric	\$ 29,205,968	\$ 12,237,394	\$ 29,503,560
Salary/Benefit Allocation	1,081,857	505,249	1,090,944
Materials & Services	753,601	366,679	792,231
Depreciation	759,096	366,824	827,096
Debt Service	135,158	57,105	124,304
Other Financing Uses	902,588	420,710	1,165,917
Water	\$ 3,632,300	\$ 1,716,567	\$ 4,000,490
Salary/Benefit Allocation	1,531,154	604,885	1,390,618
Materials & Services	2,647,424	752,249	1,778,758
Depreciation	986,000	510,704	1,320,000
Debt Service	225,177	199,637	689,180
Other Financing Uses	944,979	191,009	1,408,184
Wastewater	\$ 6,334,734	\$ 2,258,484	\$ 6,586,738
Salary/Benefit Allocation	330,177	235,509	398,542
Materials & Services	356,555	174,176	285,512
Depreciation	286,000	151,204	310,000
Debt Service	26,481	-	1,433
Other Financing Uses	100,473	53,222	109,916
Stormwater	\$ 1,099,686	\$ 614,111	\$ 1,105,403
Salary/Benefit Allocation	1,767,384	933,557	1,877,852
Materials & Services	640,328	267,545	655,583
Depreciation	213,000	90,549	301,289
Capital Assets	74,000	-	24,000
Other Financing Uses	244,079	164,021	336,276
Ambulance	\$ 2,938,791	\$ 1,455,673	\$ 3,195,000
Total	\$ 43,211,479	\$ 18,282,229	\$ 44,391,192

APPENDIX C: FULL TIME EQUIVALENTS BY DIVISION

Full Time Equivalents (FTEs) by Division	2014	2015	2016	2017 Budgeted	2018 Budgeted
<i>Administration & Finance</i>	15.09	16.43	16.43	15.55	14.55
Administration	3.00	3.00	4.00	4.35	4.35
City Clerk	1.00	1.00	1.00	2.50	1.50
Municipal Court	1.43	1.43	1.43	1.00	1.00
Human Resources	2.20	2.20	2.20	2.20	2.20
Finance	5.43	5.80	5.80	3.50	3.50
Media Services Fund	2.03	2.00	0.00	0.00	0.00
Technology Fund	-	1.00	2.00	2.00	2.00
<i>Community Development</i>	9.83	8.89	9.89	10.20	10.20
Community Development	5.63	5.80	6.80	7.50	7.50
Recreation	2.61	1.50	1.50	1.50	1.50
Swimming Pool	1.59	1.59	1.59	1.20	1.20
<i>Engineering/Public Works</i>	15.18	16.68	17.03	19.10	19.60
City Hall/Building Maintenance	1.00	1.00	1.00	2.70	3.20
Engineering/Bridges	2.08	3.58	3.58	2.00	2.00
Garage	2.20	2.20	2.20	3.20	3.20
Parks	2.80	3.80	3.80	3.80	3.80
Streets	5.20	4.20	4.48	5.35	5.35
Stormwater Utility	1.90	1.90	1.97	2.05	2.05
<i>Library Services</i>	12.38	12.38	12.38	13.76	13.76
Library Fund	12.38	12.38	12.38	13.76	13.76
<i>Municipal Utilities</i>	25.00	27.08	28.06	27.65	28.65
Electric Fund	12.70	12.98	12.98	15.70	16.70
Water Fund	5.86	6.17	6.40	6.33	6.33
Sewer Fund	6.44	7.93	8.68	5.62	5.62
<i>Public Safety</i>	37.40	36.24	37.37	42.65	43.15
Ambulance Fund	9.50	8.34	9.47	15.65	15.65
Fire	1.00	1.00	1.00	1.00	1.00
Police – Civilian	3.90	3.90	3.90	3.00	3.00
Police – Sworn	23.00	23.00	23.00	23.00	23.50
Total FTEs	114.88	117.70	121.16	128.91	129.91