



City of MONDOVI

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Mayor & Councilmembers,

2019 PROPOSED BUDGET

To begin, I cannot say enough about the strength of this community and trust they have placed in the City's elected officials and staff – a huge thank you to the City of Mondovi residents who obviously care for this community. Just as a friendly reminder, the 2019 Budget is your budget, not staff's budget so if our recommendations are inappropriate, please do not hesitate to ensure we have appropriately represented you and the City within this budget. We are proud to say that we all had input with you and the community in mind. This memo highlights some of the important budget items and appropriately expensed salaries where they should be.

PERSONNEL:

For those Councilmembers who are continuing from last year, you should recall in the 2018 Budget, we began to follow the Auditor's recommendation in regarding to appropriate expensing of salaries out of the General Fund and into the Enterprise Funds (Water and Waste Water); which we believe is the highest priority to be completed at this time. In 2019 the Street Department Workers and Street Superintendent will have 40% of their salaries removed from the general fund departments, this 40% is then divided equally to the Water Services (WS) and Waste Water/Sewer (WW) Departments at 20% each. In return, the W/WW staff will have 30% of their salaries removed from the WS & WW Departments and into the Street Departments (and its divisions such as: parks, alleys, garage, etc.). Overall, this increases the WS and WW Departments salary and benefits expenses by 20% each. This should complete the progressive salaries for the Street Workers and Water/Waste Water staff members and is part of the reason for each fund being in the negative; which we are hoping will be corrected with the Conventional Rate Case to be discussed later under the Water Service narrative, and annual increases in the Waste Water Department.

To continue with this appropriate expensing of funds, the City's Administrative positions will continue the progressive salary dedications. However, due to the drastic increase in rates still not recovering the Waste Water Department to a neutral or positive balance at the end of the year, this has been postponed another year. The City Administrator/Clerk's position "General Fund" salary was reduced by 10% with 5% into TIF 1 and TIF 2. Legal and administrative expenses are allowable expenses within the TIF Districts. Although the Public Works employees and City Treasurer/Deputy Clerk complete some work, it was the thought process to only include the City Administrator/Clerk's wages and benefits within each TIF. This administrative charge should equal out over all employees regarding the indicated expense within each TIF that is dedicated to the City Administrator/Clerk, over the year. The Conventional Rate Case completed this year may see City Administration positions impact the WS Department in 2020.

Again, for those of you that have gone through this process last year this may sound like a broken record, but by appropriately expensing the salaries out of the General Fund, the City is able to accomplish more with the limited funding within the General Fund. Finally, recall the City's agreements with the Unions to Increase their 2019 salaries by 2% for both the Public Works Employees and Police Officers. Also, the 2019 Budget does include roughly a 1.5% planned increase in salaries, however it also includes a 10% buffer in wages for overtime. In essence, any increase above the 1.5%, should be acceptable within the 2019 Proposed Budget. Finally, the Fire Fighters hourly rate increased from \$10.00 to \$15.00 per hour in the 2018 agreement with the Townships.

The below table summarizes the estimated savings to the GF with the appropriate expensing of 2019 salaries and benefit costs as stated previously (listed as "COMP" for compensation: is on the base salary, overtime estimation, benefits, retirement, and social security).

POSITION	COMP	GF (-)	W (-)	WW (-)
Street Workers (3)	\$ 252,349.92	\$(50,469.98)	\$ 25,234.99	\$ 25,234.99
W/WW Worker	\$ 69,251.52	\$ 13,850.30	\$ (6,925.15)	\$ (6,925.15)
Street Superintendent	\$ 102,042.08	\$(20,408.42)	\$ 10,204.21	\$ 10,204.21
Utility Director	\$ 102,042.08	\$ 20,408.42	\$(10,204.21)	\$(10,204.21)
City Hall Staff	\$ 223,976.24	\$(22,397.62)	\$ -	\$ 22,397.62
	TOTALS	\$(59,017.30)	\$ 18,309.84	\$ 40,707.46

TAXES AND OTHER REVENUES:

Recall that the Tax Levy Referendum approved by the voters on November 6, 2018 requested their approval to keep the Tax Levy at \$923,904 with State allowable increases. The increase that was available, and is indicated for the 2019 Budget is on Page 1 Line 1 of the 2019 Proposed Budget. There are now two lines that represent property taxes with the first demonstrating the new increases after the Levy Referendum approval and the second that will always contain the \$923,904 approved by the voters.

The State of Wisconsin’s Shared Revenue actually increased this year by about \$20,000. This was solely due to the City qualifying for the expenditure restraint program from the 2018 budget spending increase of less than 2%. Although this is good news, the State also decreased the City’s State Maintenance Allotment by almost \$11,000. Apparently, many rural communities are seeing this cut across the State, as other communities in and around the Milwaukee or Madison area are seeing an increase; possibly due to the Foxconn project. Even though the State’s transportation budget increased by roughly \$110 million. This is a “hot topic” amongst Public Management officials and something that we will keep you apprised of if anything changes over the course of the year. Under the County DNR Grant is listed as the agreement we have to keep the Recycle Center open two days a week.

Once adopted and the appropriate Levy Limit Worksheet paperwork is completed with the Department of Revenue (DOR), we will ensure that all Councilmembers receive a copy of the report and it is included with the adopted budget. To ensure transparency, this packet, along with the Levy Limit Worksheet will be posted to the City’s website for all to view.

INSURANCE EXPENSED TO APPROPRIATE DEPARTMENTS:

Two new line items were included within certain departments for insurance expense to be able to get a true feeling of the actual cost of each individual department on an annual basis; within each department under the description is the name of the department followed by “Property & Liability” and “Workers Comp”. These departments are Administrative and Police (page 6), Street Administration and Fire (page 7), Library (page 10), Water (page 36), Waste Water (page 41) – although the WW Department had the “Workers Comp” line item already. Again, this is a move to get a true feeling of the actual cost of each individual department on an annual basis. These line items

GENERAL FUND (GF) EXPENDITURES:

The 2019 Budget shows a high increase in expenditures within the GF just over \$327,000, but \$215,377 of this amount are transfers into the Debt Services Fund (300) to pay the debt and the Capital Improvement Fund (400). These are new line items at the bottom of page 11 that were implemented due to the Levy Referendum passage, whereas in previous years these revenue amounts were contributed directly into their respective funds. The remainder of the increases in expenses come from wage and benefit increases and other small minor increases to each individual line item and in addition to some major expense increases as described briefly below:

100-00-51300-000-000 (pg 5)	Legal Services – Office Expense	+\$10,000
100-00-51530-150-000 (pg 5)	Assessment of Property – Outside Labor [Reassessment]	+\$43,000
100-00-52100-700-000 (pg 6)	Law Enforcement – Outlay [PD Vehicle & Software Maint.]	+\$12,000
100-00-53420-200-000 (pg 8)	Street Lighting – Operational [LED Lights & rate increases]	+\$8,000

RESIDENTIAL REHAB & INDUSTRIAL DEVELOPMENT CORPORATION EXPENSES:

There are no significant expenses or changes not already mentioned with the Residential Rehab Fund (200) on page 13 or the IDC Fund (250) on page 15.

DEBT SERVICE FUND:

There are no significant expenses or changes with the Debt Service Fund (300) on page 17. However, we would like Council to recognize line 300-00-58100-000-006 “Principal – 2014 STF \$195,000” and line 300-00-58200-000-006 “Interest – 2014 STF \$195,000” on page 18. Both of these lines are for the 2014 State Trust Fund loan (debt) for the Olson Property, just south of the Tourist Park and its last payment is March 15, 2019 (refer to the included 2019 Debt Payment Schedule included in the back of your 2019 Budget. Due to the Levy Referendum in 2020 this will be available for additional Capital Improvement projects.

With the Dredging of Mirror Lake and the Dam Capacity Increase project in 2019-2020, the City may not have to take out debt until 2020 with the first payment in 2021. Whereas, then the \$53,146.78 should be able to cover the debt payment without property tax increases within the 2021 Annual Budget and through being repaid in full. The below list details the other debts and their last debt payment and the impact of revenue to the appropriate Budget year:

#	Repaid	Amount	Annually Paid	Budget Impact	Purpose
G 5	03/12/2022	\$53,800	\$6,234.49	2023	Shop/Fire Dept. Building Repairs
G 6	03/15/2022	\$323,000	\$41,242.66	2023	New Fire Truck
G 7	03/15/2024	\$440,000	\$52,177.85	2025	Vehicles & Retire. Unmet Liability

CAPITAL IMPROVEMENT FUND:

2019 Budget indicates that all of the Capital Improvement Fund (400) on page 19 is available for Council guidance. After a couple of meetings, it is anticipated that the CIF will have a total of \$103,500 in planned projects for 2019. These projects can be located on pages 22 and 23 and are the highlighted dollar amounts in the grey next to the project name.

You will notice to notice the list is extensive of needed projects (non-highlighted dollar numbers) and will only continue to get worse, but staff and Council will do their best to play catchup along the next few years with the additional savings from the above Debt Service Fund retirements. The 2019 project list includes the 2018 Joel Street Project, the Marten Center Roof, an additional new overhead door at the Shop, and a Stormwater Catch Basin/Junction Box repair; unknown where, but this is prepared due to past trends.

FIRE FUND, INDUSTRIAL PARK FUND, TAX INCREMENTAL FINANCING 1 DISTRICT (TIF 1), & ECONOMIC DEVELOPMENT FUND:

There are no significant expenses or changes not already mentioned with the Fire Fund (420) on page 24, Industrial Park Fund (430) on page 26, the TIF 1 Fund (450) on page 28, or the Economic Development Fund (460) on page 31.

TAX INCREMENTAL FINANCING 2 DISTRICT (TIF 2):

The only significant expense increase within TIF 2 is under the line item of 470-00-53341-700-000 “Industrial Park – Outlay”. This is expensed due to the expansion of an existing business for economic

development purposes. Due to this increase in impervious structures and paving, the City may have to increase the size of pipes for the stormwater; but this would take an engineer to determine. The road within the industrial park is getting in bad shape and could be re-surfaced, along with North Washington Street; as this is within a ½ mile of TIF 2 and access to the Industrial Park is needed. These are allowable expenses according to the City's Auditor, and the City's Bonding Agent Ehler's Sean Lentz believes this is the case as well. We will be reviewing the TIF 2 Plan and let you know this status at Tuesday night's meeting, along with any other available options.

WATER & WASTE WATER (Enterprise) FUNDS:

Both the Water (WS) and Waste Water (WW) Funds are showing a deficit for 2019 Proposed Budget as presented. Staff has discussed the WS deficit and believe that a Conventional Rate Case is the best way to resolve the building deficit; part of which is payroll adjustments mentioned previously. This cost is included within the WS (600) 2019 Proposed Budget on page 36 600-10-53712-000-923 "Outside Services Employed". The City has not completed a Conventional Rate Case since 2007, and has completed Simplified Rate Case increases only four times since then. Simplified Rate Cases should be completed every year as this will sustain your Utility for a number of years as expenses increase. The four Simplified Rate Cases were completed in 2011, 2013, 2015 and this year (2018). There is a planned and already Council approved 3% increase for the first Utility Bill in 2019. this will be monitored and cuts will be made if necessary, as the 2019 fiscal year progresses.

The WW fund seems to be on the trend towards recovery with the recently passed increases (2017 and 2018), and should remain on the right track. The only mention for the WW Department is on page 41 with a new line item of 610-00-53612-700-000 "Capital Maintenance Treatment & Disposal Equipment – MDV". As I am sure you all recall this is the Multi-Discharge Variance Permit cost line item for the WW Department, this is the cost the City must reimburse the County for discharging phosphorus into the Buffalo River. This permit is temporary in nature until the City constructs the new Waste Water Treatment Plant and has a maximum life time of five years.

FORECASTED 2018 FISCAL YEAR END:

Overall, the General Fund is looking to end up in the positive side this year, but only by a couple hundred dollars. The other funds, excluding the Water and Waste Water Departments, are looking to wind up around their target expenditures, give or take a few dollars – and pending any emergencies or unforeseen circumstances. The WS and WW Departments have been addressed in the previous section.

I wanted to extend my continual support to some great leaders of this City, for their assistance with building this budget and most certainly assisting with the Levy Rate Referendum: Jim Rud, Randy Gruber, Dawn Moy, Katelyn Noack, Colin Serverson, and Mayor Weiss. This gratitude I extend to all of the City staff that has answered many questions regarding the Levy Referendum while at work and at home. We further cannot forget the time by the Finance Committee members to narrow the Budget down even more saving time at the Budget Hearing and discussion.

We look forward to the discussion with the City's residents, their input, and your guidance on Tuesday evening.



Bradley J. Hanson, City Administrator/Clerk
November 10, 2018