



## OFFICE OF THE CITY ADMINISTRATOR

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Letter of Transmittal  
September 26, 2008

The Honorable Mayor, Council President Francoeur, Members of the Council and  
Members of the Finance Committee:

Pursuant to Section 4.01 of the Municipal Code submitted herewith is the Executive  
Budget for FY 2009. This is the proposed budget for all budgetary funds of the City of  
Waukesha.

### Introduction

I am pleased to present the proposed 2009 Executive Budget for the City of Waukesha  
for consideration by the Finance Committee and Common Council. The Total 2009  
Budget, including all funds, equals \$126,845,277 compared to the Total 2008 Budget of  
\$113,006,614, only a 12.25% increase. The 2009 budget includes \$6,905,968 for the  
relocation of fire stations 2 & 3; this represents 6.11% of the above increase over the  
2008 budget. In addition to the fire station project, the City is also refunding a short term  
note issued to construct fire station 5 and the library addition. The refinancing has added  
an additional \$6,257,625 to the debt service expense budget but will be offset by new  
debt revenue. This item accounts for 6.13% of the overall change. If you factor in both  
of these amounts, the increase in the budget from last year is almost zero. Of the total  
budget, operational expenses in the General Fund equal \$55,418,211.

The 2008 assessed tax rate needed to support the 2009 Executive Budget is proposed to  
increase from \$8.74 to \$8.83, which is \$0.102 or 1.16% higher, the lowest tax increase  
since the City's last revaluation in 2005. This proposed tax levy includes an increase of  
\$671,657 or 8.2% for debt service. The proposed 2009 Executive Budget is within the  
constraints of the 2% property tax limit and well below the expenditure restraint cap. The  
impact of the proposed tax increase on the owner of a home with an assessed value of  
\$195,900 would be an increase of \$20 additional dollars from \$1,712 to \$1,732.

The 2009 Budget was anticipated to be the most difficult budget year faced by the City of  
Waukesha with strong potential for extensive service reductions and elimination of  
positions. However, this was not the case. The most significant factor influencing our  
ability to maintain services under the 2% property tax cap is the fact that the City  
changed its health insurance provider network to a network with deeper discounts, an  
option that only recently became available to us. These discounts directly impact the  
amount of medical claims the City is projected to pay for the remainder of 2008 and in  
2009.



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The Council as well as current and former staff members deserve much credit for previous decisions to pursue self-funding for health insurance, which have positioned the City to enable us to take full advantage of this network change and maximize savings. But for the substantial reduction in health insurance claims paid, projected to be approximately \$1.5 million annually in the general fund, the proposed 2009 Budget would have undoubtedly included dramatic personnel cuts and service elimination. These changes have also enabled the City to be more responsive to public safety needs by including full funding for the recommended staffing level of nine additional firefighters at fire station no. 5 and funding for 2 additional police officers. These positions will help the City catch up to our geographical and population growth, as well as respond to increased calls for service, but these new positions are arguably not service enhancements as these positions are needed simply to maintain status quo service levels or prevent the City from falling farther behind.

The primary purpose of the City's budget and budgeting process is to develop, adopt and implement a plan for accomplishing goals for the upcoming year, while keeping consistent with the overriding objectives of maintaining a responsive government, reasonable property tax rate, high service levels and a strong financial position.

This letter of transmittal is a general overview of the proposed 2009 Budget. As such, it is intended to identify trends and factors that have had a significant impact on the development of the budget. Further details are contained in the body of the budget document and in accompanying reports pertaining to specific budget issues as needed.

As with previous budgets, the process of developing the budget began with the submittal of departmental expenditure requests and estimates of proposed revenues. Department directors and managers were requested to submit a status quo budget responsive to the 2% levy limit. The process continued with an assessment of the submittals in light of all internal and external factors, followed by meetings with department directors and managers to discuss their detailed assessment of operational needs. The process culminated in the development of a mutually acceptable recommendation based on the needs of our organization as a whole and our fiscal ability to respond to such needs within financial constraints. The original departmental submittals were reduced by nearly \$1.3 million in order to meet required financial targets.

The goal of this budget was to meet the property tax levy limits imposed by the state, while maintaining the current level of city services to the greatest degree possible. It is important to recognize that the state imposed levy limit does not limit demands created by growth and inflation, particularly escalating fuel costs.

In response to the 2% property tax cap, civilian vacancies have been held in order to provide a variety of options for meeting budget constraints. Although it was clear that many of these positions needed to be filled, opportunities were available for reassignments from other departments, temporary staffing was available; as well as other

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options that were more fiscally responsible and appropriate given external influences on our budgetary situation. Six full-time equivalent positions were held vacant through September but I recently authorized five of these positions to be filled. One full-time librarian position has been reduced to part-time, which with scheduling and process adjustments should have minimal impact on service delivery.

The Transit budget is currently at status quo with anticipated changes to be submitted to the Council prior to Finance Committee review. A variety of operational efficiencies are being evaluated that have minimum service impact to lessen the increase needed for 2009.

**Analysis of Revenues and Expenditures**

Property Taxes

Comparison of All Property Tax Fund Levies, 2008 - 2009

| Fund                 | 2008 Levy           | 2009 Levy           | Difference         | % Diff.      |
|----------------------|---------------------|---------------------|--------------------|--------------|
| General Fund Levy    | 35,467,687          | 37,919,009          | 2,451,322          | 6.91%        |
| Special Revenue Levy | 1,461,613           | 23,410              | (1,438,203)        | -98.40%      |
| Fleet Levy           | 159,511             | 228,307             | 68,796             | 43.13%       |
| Transit Levy         | 1,268,719           | 1,268,719           | 0                  | 0.00%        |
| Cemetery Levy        | 210,704             | 0                   | (210,704)          | -100.00%     |
| General Debt Levy    | 8,192,059           | 8,863,716           | 671,657            | 8.20%        |
| <b>Total</b>         | <b>\$46,760,293</b> | <b>\$48,303,161</b> | <b>\$1,542,868</b> | <b>3.30%</b> |

The increase for all levies, including debt service, is \$1,542,868 or 3.30% over 2008 as illustrated above. This total is consistent with the 2% allowable increase plus the increase for debt service and also accounts for an adjustment for newly annexed areas.

\$1,438,203 was moved from the Special Revenue Fund into the General Fund for garbage collection, recycling, and large item pick up as these services are currently fully funded by the tax levy.

The Fleet Levy Fund includes new and replacement purchases for items such as an ambulance that was partially funded in 2008 prescheduled for funding in 2009, police vehicles, and a street sweeper. A detailed list of all fleet purchases is included in the Equipment Revolving Fund 430.

The Transit Levy Fund is referenced above.

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The Cemetery Levy was funded via direct levy last year and the 2009 Budget recommends a transfer from the General Fund versus direct levy. The impact to the taxpayer is the same and this change is simply a difference in accounting practices.

The General Debt Service Levy is increasing 8.2%. The increase here is the result of large capital projects that the City has recently undertaken, most notably the library expansion project and fire station 5.

**Property Valuation and the Tax Rate**

The estimated assessed valuation of property within the City has increased from \$5,352,103,182 in 2007 to \$5,465,052,170 in 2008 not including Tax Increment District (TID) values. This is an increase of \$112,948,988 or 2.11%. The estimated 2008 equalized value is \$6,073,466,900 over \$5,862,049,100 in 2007 (not including TID), for an increase of 3.61% over last year.

Based on these estimated values and proposed expenditures and using equalized values the tax rate will be \$7.95 per \$1,000 of valuation compared to last year's rate of \$7.98, a decrease of -.30%. Based on assessed values the rate will be \$8.84 per \$1,000 of value compared to last year's rate of \$8.74 for an increase of 1.16% or \$0.102. It is important to understand both the assessed and equalized rates because while the assessed rate more accurately reflects the budget's short term impact on tax bills, the equalized rate more accurately reflects the impact of the budget on the fiscal capacity of the city and long term tax rates.

**Comparison of General Fund Revenues, 2008 – 2009**

| Revenue Category                             | 2008 Amt.           | 2009 Amt.           | Difference         | % Diff.      |
|--|---------------------|---------------------|--------------------|--------------|
| <b>Property Tax (including debt service)</b> | \$35,467,687        | \$37,919,009        | \$2,451,322        | 6.91%        |
| <b>Other Taxes</b>                           | \$676,750           | \$861,828           | \$185,078          | 27.35%       |
| <b>Other Sources (transfers)</b>             | 1,002,192           | 1,032,246           | 30,054             | 3.00%        |
| <b>Intergov. Grants</b>                      | 8,451,104           | 8,468,190           | 17,086             | 0.20%        |
| <b>Lic. &amp; Permits</b>                    | 1,703,100           | 1,736,600           | 33,500             | 1.97%        |
| <b>Penalties &amp; Forf.</b>                 | 699,000             | 700,000             | 1,000              | 0.14%        |
| <b>Charges for Serv.</b>                     | 2,615,536           | 2,760,339           | 144,803            | 5.54%        |
| <b>Interdept. Charges</b>                    | 1,119,481           | 998,136             | (121,345)          | -10.84%      |
| <b>Misc. &amp; Other Rev.</b>                | 1,409,913           | 915,613             | (494,300)          | -35.06%      |
| <b>Special Assessments</b>                   | 41,250              | 26,250              | (15,000)           | -36.36%      |
| <b>Total</b>                                 | <b>\$53,186,013</b> | <b>\$55,418,211</b> | <b>\$2,232,198</b> | <b>4.20%</b> |

In the above table there is a 6.91% increase in the Property Tax category

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The change in Other Taxes is the result of moving the portion of room tax paid to the visitor's bureau from a special revenue fund into the General Fund. Intergovernmental Grants , Licenses and Permits, and Penalties and Forfeitures are relatively flat.

Charges for Services, including ambulance revenues, are projected to increase with the selection of a new ambulance billing service contractor.

Interdepartmental Charges, such as engineering fees, are continuing to decrease due to declining development activity associated with the reduction on new housing.

Miscellaneous and Other Revenues, interest on investments is expected to decrease by at least \$500,000 due to low interest rates.

Special Assessments are also declining due to fewer new street trees, which is also a result of the decline in new residential construction.

Other than property taxes, revenues have decreased by 1.24% since 2008.

**Comparison of General Fund Expenditures, 2008 – 2009**

| Exp. Category             | 2008 Amt.           | 2009 Amt.           | Difference         | % Diff.      |
|---------------------------|---------------------|---------------------|--------------------|--------------|
| Personal Services         | \$43,442,002        | \$43,263,821        | (178,181)          | -0.41%       |
| Contractual Services      | 5,207,606           | 7,195,170           | 1,987,564          | 38.17%       |
| Supplies & Exp.           | 2,565,018           | 2,787,091           | 222,073            | 8.66%        |
| Building Materials        | 159,500             | 210,500             | 51,000             | 31.97%       |
| Fixed Charges             | 46,777              | 42,058              | (4,719)            | -10.09%      |
| Grants/Contributions      | 30,000              | 187,500             | 157,500            | 525.00%      |
| Capital Outlay            | 250,450             | 111,800             | (138,650)          | -55.36%      |
| Interdepartmental Charges | 1,335,007           | 1,189,567           | (145,440)          | -10.89%      |
| Other Uses                | 96,000              | 305,704             | 209,704            | 218.44%      |
| Contingency               | 125,000             | 125,000             | 0                  | 0.00%        |
| <b>Total</b>              | <b>\$53,257,360</b> | <b>\$55,418,211</b> | <b>\$2,160,851</b> | <b>4.06%</b> |

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Personal Services – Even with the 2.95% wage adjustment and additional two police officers, the total expense for personnel services has declined as a result of the health insurance savings.

Contract Services – This category has increased by \$1,790,897 for garbage collection, recycling, and large item pick up due to the shift from the special revenue fund to the general fund. Other significant factors include, increases for sand and salt in the amount of \$80,000, and increased electric utility costs in the amount of \$82,099.

Supplies – This category has increased primarily due to escalating fuel costs, which are projected to be \$202,401 or 35% over the 2008 Budget.

Building Materials – This category has increased due to rising costs for street maintenance materials, which have increased significantly over the past year and are projected to be additional \$45,000 in 2009 over the 2008 Budget.

Fixed Charges – These charges are relatively flat.

Grants/Contributions – This is the result of shifting the payments made to the visitors' bureau for room tax revenue to the general fund from a special revenue fund.

Capital Outlay – The City has the most discretion in this category in regard to cost controls that have the least impact on service. Therefore, this category was reduced from 2008 funding levels.

Interdepartmental Charges – This reduction is a result of the health insurance provider network savings that also impacts the retired police and fire employee claims paid from his category.

Other Uses – This change is due to shifting the Cemetery funding from a direct levy to a General Fund Transfer.

### **Conclusion**

Due to the projected reductions in health insurance claims by changing health network providers, the City is able to maintain relatively status quo service levels. Furthermore, the City is able to refrain from pursuing unsound financial options that would have conflicted with our financial policies such as reducing or deferring infrastructure and maintenance expenditures, funding general operations with borrowing, or tapping into unrestricted reserves any or all of which would have undesirable long term consequences.

I would like to thank Steve Neaman and Vicki Krueger and to their coworkers for their support in preparation of the budget, the knowledge and experience they have brought to

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the process is priceless and to all department directors and all employees for their continued cooperation and dedication.

The Finance Committee is scheduled to review individual components of the budget on Tuesday and Thursday evenings in October, a schedule will be provided to all members of the Council and all are encouraged to attend.

A Committee of the Whole Meeting will be held on Thursday, November 6, 2008, from 5:00 – 7:00 PM prior to the Council Meeting at 7:30 PM to review the 2009-2014 Capital Improvement Plan (CIP) and a Committee of the Whole Meeting will be held on Tuesday, November 11, 2008 at 7:00 PM to review the 2009 Budget. The budget hearing and adoption will be held on Tuesday, November 18, 2008 at 7:00 PM.

I respectfully request that members of the Council forward any questions or concerns regarding the budget to me, as soon as possible, to allow staff to appropriately respond. In response to the previous year's budget process, I cannot emphasize this enough to ensure that I can provide you with appropriate, meaningful feedback.

Respectfully submitted,

CITY OF WAUKESHA



Lori S. Curtis Luther  
City Administrator