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Letter of Transmittal
September 24, 2010

The Honorable Mayor, Council President Ybarra, Finance Committee Chair Joe Pieper, Members of the Finance Committee and the full Common Council:

Pursuant to Section 4.01 of the Municipal Code submitted herewith is the Executive Budget for FY 2011. This is the proposed budget for all budgetary funds of the City of Waukesha.

Introduction

Enclosed is the proposed 2011 Executive Budget for the City of Waukesha for consideration by the Finance Committee and Common Council. The Total 2011 Budget, including all funds, equals \$131,743,520 compared to the Total 2010 Budget of \$127,730,251, a 3.14% increase. The 2011 operating budget is \$57,939,286 as compared to the 2010 operating budget of \$57,399,401, which represents an increase of \$539,885 or 0.94%.

The Mayor, Council, and Finance Committee, have been clear about the desire to minimize the tax impact on Waukesha residents. Under this direction, and in appreciation of the financial challenges Waukesha citizens and businesses face, the 2010 assessed tax rate needed to support the 2011 Executive Budget is proposed to remain flat at \$8.95 per \$1,000 of assessed value, for the first time in over a decade in a non-revaluation year. This proposed tax levy also includes a decrease of \$280,290 or -2.84% for debt service.

The recommended Executive Budget is consistent with budgetary goals established by the Council which include, supporting sound financial policies, meeting the state levy limits and expenditure restraint program, maintaining service and program levels to the greatest degree possible, and incorporating the strategic plan into the budgetary process. Our ability to control expenditures is largely a result of conservative labor contracts, supported by the unions, which include an unprecedented salary freeze in 2010. The union ratifications of the salary freeze and 1% salary increase on January 1, 2011 and 1% salary increase on July 1, 2011, with offsetting increased health insurance contributions, implementation of a comprehensive health risk assessment and medical management program in 2011, were critical to the City's ability to hold the line on expenses. In addition, proactively not filling civilian vacant positions has had a positive impact on the budget.



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Even with the conservative budget parameters established, over \$2 million had to be adjusted from the initial budget submissions or over 3.5% of the total operating budget. Nearly \$350,000 was generated from unfunded vacant positions. A reduction in fleet was also a significant factor with nearly \$400,000 in cost savings, which was achieved by deferring purchases for items such as an ambulance (\$180,000), other fire department fleet (\$93,000), parks, recreation and forestry fleet (\$70,000), and two police vehicles (\$52,000). Projected increased revenues from adjusted ambulance transport fees, moderately increased state aids, municipal court collections, and franchise fees account for approximately \$600,000 of the adjustments. Roughly \$375,000 was reduced from originally submitted requests for IT related expenditures after revised estimates were received and upon review by the ITAC Committee. Cost estimates were refined and had a significant impact on items such as fuel and salt and resulted in a reduction of approximately \$100,000. Finally, personnel costs and health insurance estimates were refined to include projected savings from the City's receipt of the Early Retiree Reimbursement Program funds with a net decrease of about \$150,000. These changes resulted in over \$2 million in adjustments to the original submissions.

A hiring freeze for all civilian positions has been in place since January 2008, with few exceptions, and is expected to continue in 2011. An additional five full-time vacant positions are unfunded in the 2011 budget, including a position in the assessor's office, a mechanic, custodian, clerk/steno in the Police Department, and planner in the Community Development Department. Although it is clear that many of these positions need to be filled, opportunities are available for reassignments from other departments, temporary staffing is available, and other options exist that are more fiscally responsible and appropriate given the current economic climate. With the proposed unfunded vacancies in 2011, 21.5 full time equivalent positions have been unfunded over the past five years.

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 aligning with the overriding objectives of maintaining a responsive government, a reasonable property tax rate, a high service level and a strong financial position. The City received a boost in its bond rating from Aa2 to Aa1 this year, one step away from the highly coveted Aaa bond rating. While largely a result of recalibration from Moody's, it is nonetheless confirmation of the City's strong fiscal position.

This letter of transmittal is a general overview of the proposed 2011 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 in previous years, the process of developing the budget began with the submittal of departmental expenditure requests and estimates of proposed revenues. Department directors were instructed to submit budgets that were equal to or less than 2010 totals. Funds were permitted to be shifted within departments/divisions but the total allocation

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of tax levy supported services were to be no more than 2010 totals and new offsetting revenues were also requested and proposed.

The process continued with a review of the submittals, followed by meetings with department directors and managers for a detailed assessment of operational needs. The process resulted 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 adjusted by approximately \$2 million in order to hold the tax rate flat.

Analysis of Revenues and Expenditures

Property Taxes

The State has imposed a 3% levy limit on property taxes. However, the Executive Budget does not propose an increase to the tax rate and the increase in the total levy is limited to .22%.

Comparison of All Property Tax Fund Levies, 2010-2011

COMPARISON OF ALL CITY PROPERTY TAX FUND LEVIES 2010 – 2011				
Fund	2010 Levy	2011 Levy	Difference	% Difference
Total General Fund Levy	40,228,571	40,371,764	143,193	0.36%
Special Revenue Levy	22,942	22,942	0	0.00%
Fleet Levy	-	200,300	200,300	-
Transit Levy	1,271,272	1,318,770	47,498	3.74%
General Debt Levy	9,882,649	9,602,359	(280,290)	-2.84%
	\$51,405,434	\$51,516,135	110,701	0.22%

Property Valuation and the Tax Rate

The assessed valuation of property within the City has increased from \$5,741,224,147 in 2009 to \$5,752,598,308 in 2010 not including Tax Increment District (TID) values. This is an overall increase of only about \$12 million as a result of slowed growth in new construction.

The proposed 2011 Executive Budget does not utilize the property tax limit established by the State of Wisconsin and is well below the expenditure restraint cap. Therefore, there would be no change for the average homeowner as a result of the City's proposed budget. Please note that individual tax bills will vary, depending upon whether home improvements were completed, etc.

The following table summarizes the total revenues and provides a comparison from 2010 to 2011:

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Comparison of General Fund Revenues, 2010-2011

COMPARISON OF GENERAL FUND REVENUES 2010 – 2011				
Revenue Category	2010 Amount	2011 Amount	Difference	% Difference
Other Taxes	788,545	748,545	-40,000	-5.07%
Other Sources	1,307,245	1,382,246	75,001	5.74%
Intergovernmental Grants	8,386,291	8,343,466	-42,825	-0.51%
Licenses and Permits	1,642,950	1,685,200	42,250	2.57%
Penalties and Forfeitures	600,000	884,077	284,077	47.35%
Charges for Services	3,026,688	3,019,572	-7,116	-0.24%
Interdepartmental Charges	985,892	1,083,592	97,700	9.91%
Misc & Other Revenue	407,874	407,174	-700	-0.17%
Special Assessments	25,345	13,650	-11,695	-46.14%
Subtotal Revenue	17,170,830	17,567,522	396,692	2.31%
General Fund Levy	40,228,571	40,371,764	143,193	0.36%
Total Revenue	57,399,401	57,939,286	539,885	0.94%

Other Taxes – This is the result of a reduction in room taxes paid.

Other Sources – The increase is due to additional revenue from payments in lieu of taxes.

Intergovernmental Grants – This has declined slightly due to reduction of total intergovernmental aid in the general fund.

Licenses and Permits – These funds have increased slightly due to elevated franchise fee payments.

Penalties and Forfeitures – We are projecting increased revenues as a result of the creation of a new traffic unit in the police department and improved collection processes.

Charges for Services - Ambulance revenues have increased as a result of revised fees.

Interdepartmental Charges – These funds have increased to reflect actual 2009 revenues received and additional infrastructure related activity.

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Misc. and Other Revenue – This category includes interest income that is projected to stay flat in 2011.

Special Assessments – This revenue source has been reduced for tree plantings due to less new development.

All revenues have increased .94%.

The following table summarizes the total general fund expenditures and provides a comparison from 2010 to 2011.

Comparison of General Fund Expenditures, 2010-2011

COMPARISON OF GENERAL FUND EXPENDITURES 2010-2011				
Exp Category	2010 Amount	2011 Amount	Difference	% Difference
Personal Services	44,505,854	45,360,241	854,387	1.92%
Contractual Services	7,686,083	7,685,985	-98	0.00%
Supplies and Exp.	2,560,952	2,534,990	-25,962	-1.01%
Building Materials	168,600	248,600	80,000	47.45%
Fixed Charges	45,214	103,851	58,637	129.69%
Grants/Contributions	166,250	156,250	-10,000	-6.02%
Capital Outlay	201,603	175,464	-26,139	-12.97%
Interdepartmental	1,260,092	1,212,415	-47,677	-3.78%
Other Uses	707,421	336,490	-370,931	-52.43%
Contingency/ Fund Balance	240,151	125,000	-115,151	-47.95
	57,542,220	57,939,286	397,066	0.69%

Two (2) additional patrol officers are included in the 2011 Executive Budget as traffic unit officers. Their mission will be to enforce state and local traffic laws in an effort to reduce traffic accidents. We are projecting that revenue generated by this new unit will make the addition cost neutral.

Two (2) Community Service Officer seasonal positions are also being added as a component of a partnership between the Police Department and the Waukesha Parks and Recreation Department. These limited term employees will be non-sworn and will be employed from approximately May 31st to September 30th. Their primary mission will be to patrol the city parks. Their duties will be to educate citizens on city ordinances related to the parks, maintain order in the parks and report violations for enforcement by patrol officers. Our current staffing levels do not allow for adequate police patrol of the parks.

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Personal Services – Total personal services expenses have increased a net 1.92%, including the addition of two police officers and removing funding for five vacant positions.

Contract Services – This category is flat for 2011.

Supplies and Expenses – The major contributor in this category is the decrease in fuel expenses.

Building Materials – The primary increase is for asphalt for street maintenance materials.

Fixed Charges – This is the source for assessment refunds.

Grants/Contributions – The room tax payment to the Convention and Visitor's Bureau is made from this category and assumes reduced room taxes.

Capital Outlay – The items recommended for funding in 2011 are detailed in each department section.

Interdepartmental Charges – This reduction is primarily a result of workers compensation decreases.

Other Uses – The 2010 budget included tax levy support as cash financing for a portion of the Capital Improvement Plan.

Contingency/Fund Balance – The decrease is due to the one time transfer in 2010 to reimburse the City for disaster spending from Federal Emergency Management Agency.

Conclusion

The City continues to refrain from pursuing unsound financial options that would conflict with our financial policies and strategic plan such as 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 all of the finance department employees for their support in preparation of the budget. The knowledge and experience they have brought to the process is priceless. I also want to commend 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 is attached and all members of the Council are encouraged to attend.

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The Committee of the Whole meeting date and time is still being finalized for review and approval of the CIP. The Committee of the Whole meeting to review the 2011 Operating Budget will be held on Tuesday, November 9, 2011 at 7:00 PM. The Budget Hearing and Adoption will be held on Tuesday, November 16, 2011 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 time to appropriately respond. Any final questions or suggested amendments to the budget would be greatly appreciated no later than **Tuesday, November 9, 2011**, following the Committee of the Whole meeting. I would like to mirror the past two year's budget processes in that questions were posed to staff in such a way that we had adequate time to respond with appropriate, meaningful feedback.

While this is an extraordinarily difficult budget year, I am proud of our ability to submit a budget that does not increase the City's tax rate, maintains service delivery and strengthens the financial integrity of the City.

Respectfully submitted,

CITY OF WAUKESHA



Lori S. Curtis Luther
City Administrator