

These are the minutes of the 2015 Budget Hearing held on December 1, 2014 at 5:30 p.m. in the City Municipal Building.

Mayor Baumgartner called the Public Hearing to order. On roll call were Alderpersons Hilson, Jensen, Kierstyn, LaQuee, Marti, Roseberry, Mayor Baumgartner and Street Superintendent Mead.

Distributed in Council packets was also the City's Equalized Value Comparison, Assessed Valuation and the Municipal Levy amounts from 2004.

Mayor Baumgartner read her 2015 Budget Review Memorandum. By Ordinance, the annual budget is prepared and delivered to the Council under the auspices of the Mayor. As with the past twelve years and counting, most of the budget issues and challenges remain the same. These formidable challenges include the continuing pattern of diminishing State Shared Revenue and restricted levy limits combined with increased operating costs, static economic growth, declining property values, infrastructure needs and the financial unforeseen encountered throughout the course of a budget year. Revenue and expenditures going in opposite directions year after year creates a fiscal tractor pull that ultimately comes to halting stop; that is until something is thrown off the wagon. That "something" may well be some level of service. These factors have routinely created an unpleasant suspense as to how City finances and, in turn, City operations are going to continue.

Revenue and expense scenario aside, the longstanding precedent established for preparation of the City of Adams annual budget has followed two fundamental principles; hold the line on property taxes and optimize the quality and level municipal services provided. I have strived to follow those same budget tenants in crafting a responsible budget for 2015. For many, that may be enough. However, the financial trends and experiences that shape this particular budget need to be closely examined and acknowledged in order to anticipate what may be on the horizon for the years ahead. For this to be a truly sustainable budget, I believe it is paramount that the scope extend well beyond the immediate twelve months and incorporate financial design strategies, plans and options that can be considered for future years. These options may be evaluated throughout the course of the year and, if deemed plausible, linked onto the close of the current year and built upon for the succeeding decade.

For the 2015 budget the proposed property tax mill rate for 2015 is 4.30 mills. I am pleased to report that the 4.30 mill rate is actually a *decrease* from the 4.31 mill rate applied in 2014. I am equally pleased to report that despite the tax decrease, no reduction in services is proposed. The budget plan maintains the full level and range of services residents have been accustomed to.

Further, there is new reason to be enthusiastic about the revitalization of the Main Street Corridor with the introduction of the newly constructed five-shop plaza and two new restaurants. These additions have spiked activity to the downtown arena and are largely the result of local business people promoting the opportunities of locating in downtown Adams to other business associates. I believe the new energy can only boost the momentum of the Main Street Corridor revitalization program. Local residents and volunteers alike have actively demonstrated their support for re-establishing downtown Adams as a destination point and commerce center. I happen to agree with them and believe there is good reason to be optimistic about Main Street!

After eleven years without any rate change the Water and Sewer Utilities are due not just for rate adjustments but also a systemic analysis of operations overall. I believe it is universally agreed that rate adjustments need to be carefully considered and it is always best to apply moderate increases incrementally over time as opposed to large lump sum rate hikes. However, if there is any chance of

avoiding the requirement of a large lump sum increase in rates, it is essential that the moderate incremental increases are executed and applied in a timely fashion.

2015 BUDGET NOTES AND ISSUES

GENERAL FUND:

Examples of services provided through general operating budget include full-time police and fire protection, street maintenance, street trees and tree maintenance, weekly garbage collection, curbside recycling, brush and leaf collection, composting site, parks and recreation services, administration and economic development programs. All General Fund services and programs will be preserved at status quo levels for 2015.

- The 4.30 mill rate proposed for the 2015 budget is one point (one cent) less than the 2014 mill rate. In property tax terms the 4.30 mill rate translates to \$4.30 per \$1,000 of assessed property valuation. The General Fund levy (the actual dollar amount collected from property tax) for 2015 remains exactly the same as 2014 at \$300,000. Municipalities are tightly restricted by State levy limits.
- Again, no surprise that State Shared Revenue is virtually the same for 2015 at \$726,079. Shared revenue represents close to 60% of the City's \$1,224,700 General Fund operating budget. By comparison, property taxes cover approximately 33% of the same Fund. It's not hard to imagine the hardship imposed if Shared revenue shortfalls were made up from the property tax levy. Making up a \$10,000 balance would require a 3% increase to the proposed 2015 mill rate. State Shared Revenue, by far, constitutes the largest portion of the City's General Fund operating revenue. (2013 was \$735,500, to \$724,705, \$10,795 reduction for 2014)
- Other General Fund revenue categories typically represent 2% to 3% of the overall budget. These revenues sources stay relatively consistent and flat over the years. 2014 was the last year of the COPS grant funding. COPS grant funding provided \$65,000 a year in grant dollars for three years. The elimination of the COPS funding was prepared for by pre-funding a final General Obligation loan payment of \$91,000
- Administrative and Clerk expenses are spread across four different budget categories including the TIF budgets. This was done a few years ago and planned to continue as such with the 2015 budget. In 2012 staffing in the Clerk's office was increased from two full time and one half time employee to three full time positions. Additionally, a three quarter time office staff position was appointed exclusively to the Police Department. These staffing levels are planned to remain the same.
- Overall, moderate increases are anticipated for most of the perennial operating expenses such as Workman's Comp insurance, Fire District and Ambulance but, with one huge exception; the at-large Tax Assessor re-valuation added an additional \$17,000 expense to an already tight General Fund Operating budget. Last minute adjustments were made to address this expenditure and there will need to be very close review of this project and the options available to us with this three year project.
- Energy and fuel costs, typically large strains on the operating budget, are anticipated to be close in cost with the previous year

STRATEGIES TO MEET 2015 GENERAL FUND BUDGET OBJECTIVES

- A *one-time* transfer of \$85,600 from TIF #3 to the General Operating Fund is budgeted for the 2015 year. Approximately \$50,000 of this transfer is distributed throughout the budget as Capital Equipment allocations and the Assessor Revaluation. The remaining balance transfer of approximately \$30,000 would be classified as budget shortfall. This will need to be addressed and prepared for with the 2016 budget as it is not likely nor is it pragmatic to anticipate any added property tax revenue from new construction; nor is it reasonable to anticipate any increase in State Shared Revenue.

GAP FUNDING SCENARIOS FOR FY 2016

The possible shortfall funding scenarios are not presented as all inclusive options and nor are any mutually exclusive. Depending on circumstances, a combination of all of the above could be entertained. Simply offered are options to consider between now and the forthcoming year:

- **Applying a garbage collection fee to the water and sewer utility bill**
- **Shift (not necessarily staff) management/reduction within the Police Department. (Police services comprises the largest share of the General Fund operating budget)**
- **Reorganization of City administrative structure**
- **Complete cross-training of Street Superintendent for building code inspection duties**

WATER AND SEWER UTILITY FUNDS

As referenced, the Water and Sewer Utility accounts are due, if not overdue, for rate adjustments. For 2015 a 3% increase (the amount allowed without a rate analysis) is recommended for the Water Utility and an 8% increase is recommended for the Sewer Utility. For several consecutive years a rate analysis for the utilities has been recommended in the annual audit. While consistent and incremental rate adjustments are necessary, I believe it is also necessary to conduct an overall review of the current Water and Sewer utilities operating structure. A thorough analysis of both the City of Adams and Village of Friendship operating methods could potentially identify opportunities to improve operational efficiencies and cost savings through consolidation of the system. State and Federal grant agencies are highly supportive of intergovernmental cooperative ventures and would even be a potential source of funding for an operational analysis. Consolidation of the utilities would have to be proven as beneficial to both municipalities to even be considered. A qualified study would have to bear this out. With a potential consolidation of this scale, both municipalities would have to work closely and objectively together since it would require a complete departmental reorganization for both municipalities as well.

TIF FUNDS

TIF #1: CLOSED.

TIF #2: At this juncture TIF #2 is all but closed out. With five years remaining on TIF #2 it is past the eligibility period to take on any new projects. The remaining life and increment capture of TIF #2 is obligated to reimbursement of the City's General Operating Fund for advances made on prior eligible projects.

TIF #3 TIF #3 is positioned for a great deal of activity and potential. Despite having debt payment obligations TIF #3 is showing a healthy cash flow position and the future growth projections

are promising. The geography and focus of TIF #3 entails Main Street and rejuvenation of the economically distressed commercial district. It's easy to get enthusiastic about the opportunities that can be pursued to revitalize and re-energize the Central Business District. I can foresee a busy year for the Downtown Development Commission continuing their planning work for the Main Street makeover!

CAPITAL EQUIPMENT BUDGETS

Items in the Capital Equipment Budgets are more on the order of durable goods and are outside the scope for inclusion in the general operating budgets. No major capital equipment purchases are planned for 2015. The three budgets encompass the following;

PUBLIC WORKS

PUBLIC SAFETY

GENERAL GOVERNMENT

CAPITAL IMPROVEMENT PROJECT BUDGETS

Economic Development Administration (EDA) Project: This \$900,000 project was funded with 75% grant dollars through the EDA and the project is complete. The City has provided the final close out documents and final grant reimbursement of approximately \$240,000 was received this year (2014). The \$200,000 matching share from the City was funded by a 2010 local loan and the loan is being repaid from TIF #2.

Motion by Marti, second by Kierstyn to Adjourn the Public Hearing. Roll call vote, all voted aye.

Respectfully submitted,

Janet L. Winters, WCMC, CMC, CMTW
Clerk/Treasurer