



# BUDGET CHALLENGES

September 7, 2021  
Committee of the Whole



# 2021 General Fund Budget

GF Budget Total	\$64,051,114
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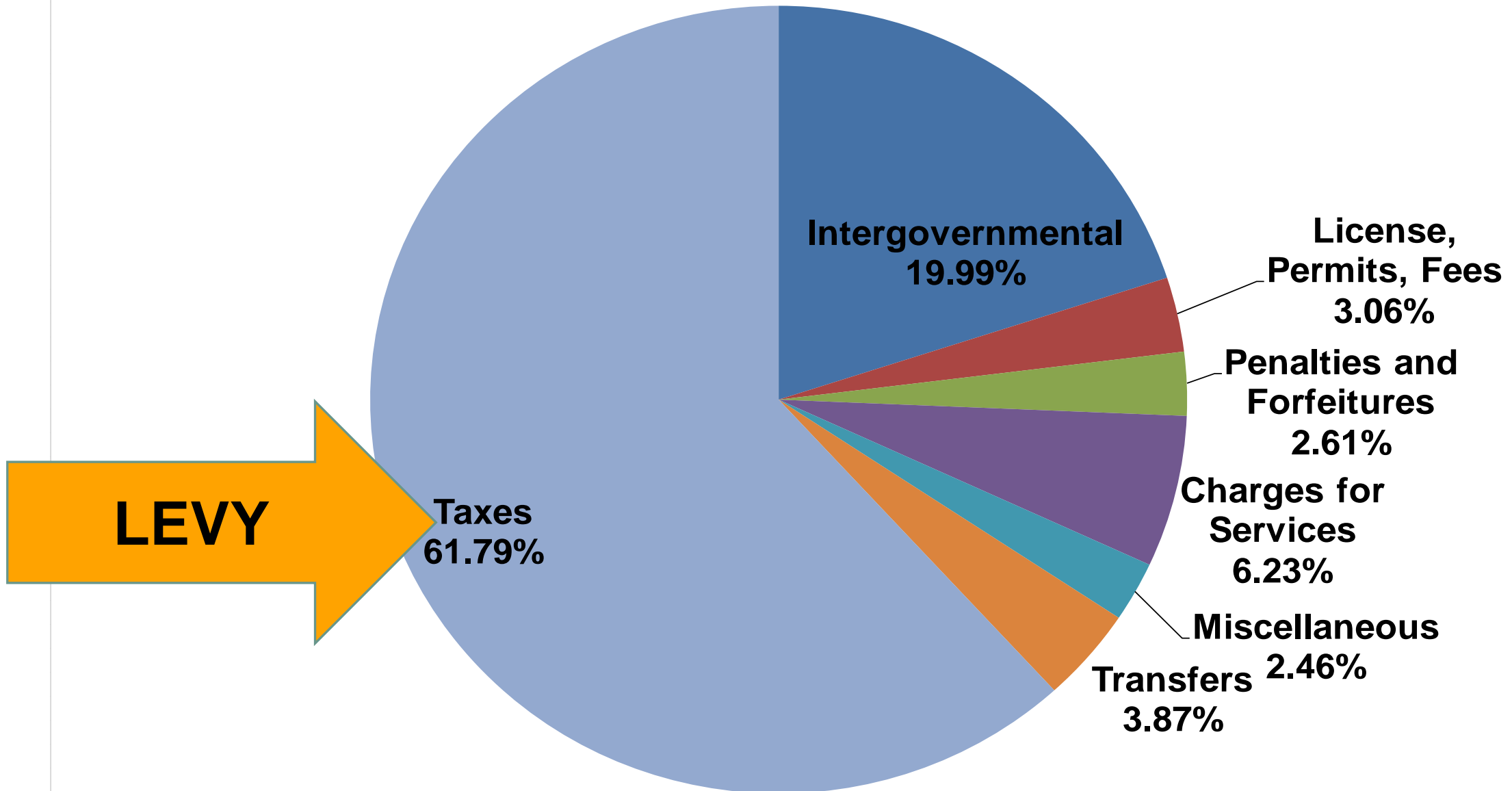
Increase from 2019	\$ 1,352,000
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Tax Levy (62% of GF Budget)	\$38,096,600
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Increase from 2019	\$ 1,189,000
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The general fund (GF) is city's primary operating fund.

# 2021 General Fund Revenues



# Revenues

## **Taxes – 61.79%**

- Real Estate
- Mobile home
- Room Tax (Hotel/Motel)
- State Sales Tax
- PILOT (Payment in Lieu of Taxes)

## **Intergovernmental Grants & Aids – 19.99%**

- State Shared Revenues
- Expenditure Restraint Program
- Exempt Computer Equipment
- Personal Property Aid
- Municipal Services Payments
- State Fair Service Contracts (Traffic and new for 2019 Paramedic Services)
- Transportation and Highway Aids
- Milwaukee County Library
- Misc. Intergovernmental Grants & Aids

## **Licenses, Permits and Fees – 3.06%**

- Alcohol
- All other licenses
- Building, Plumbing, and Electrical Permits
- Planning and Development Permits
- Overnight parking permits
- Fire Inspection Fees
- Landlord Tenant Fees
- All other permits

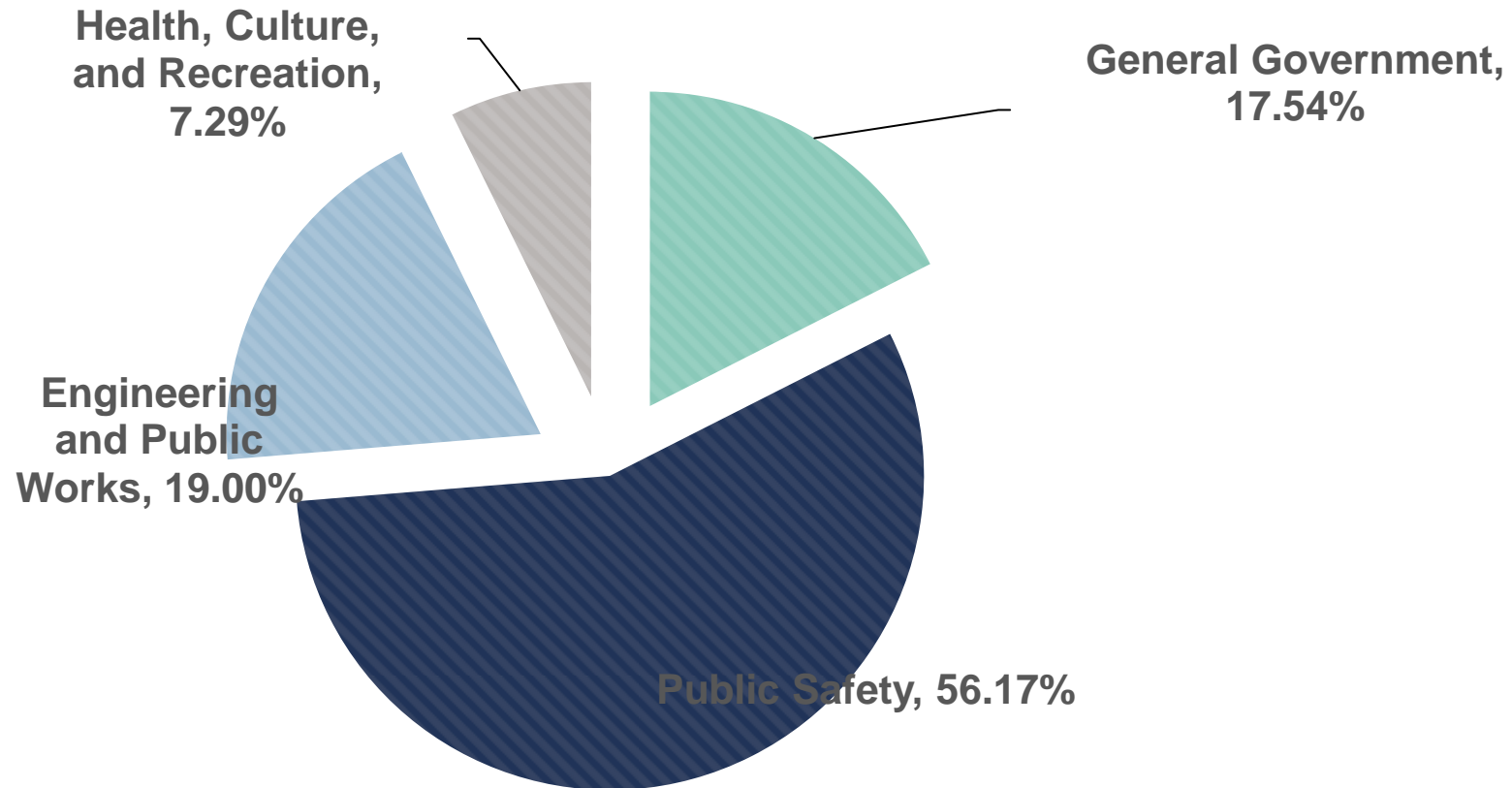
## **Penalties and Forfeitures – 2.61%**

- Court Fines & Costs
- Parking Violations

## **Misc. – 6.33%**

- Charges for Services, Transfers, Special, Reserve Funds, Capital Projects, Debt, Enterprise, Internal Services

# WHERE DOES THE MONEY GO?



# General Fund Expenditures by Category

- **General Government – 17.54%**

- Common Council
- Mayor
- City Attorney
- Municipal Court
- Administration
- IT
- HR
- Finance
- City Clerk
- Promotion, Celebrations, Awards
- General Fringe Benefits, Workers Comp, Insurance, Other

- **Public Safety – 56.17%**

(53% is the Police and Fire Department portion)

- PFC
- Police
- Fire
- BINS
- Planning and Zoning/Economic Development

- **Engineering and Public Works -19%**

- Engineering
- Public Works

- **Health, Culture, Recreation – 7.29%**

- Health Department
- Senior Center
- Library

# Other Expenditures (not in general fund)

- **Special Revenue Fund Expenditures**
  - Tourism
  - Grants
  - Etc.
- **Capital Projects**
- **Debt Service**
- **Enterprise Funds**
  - Beloit Road
  - Storm Sewer
  - Water Utility
  - Sanitary Utility
  - Solid Waste Fund
- **Internal Service Funds**
  - Health Insurance
  - Liability



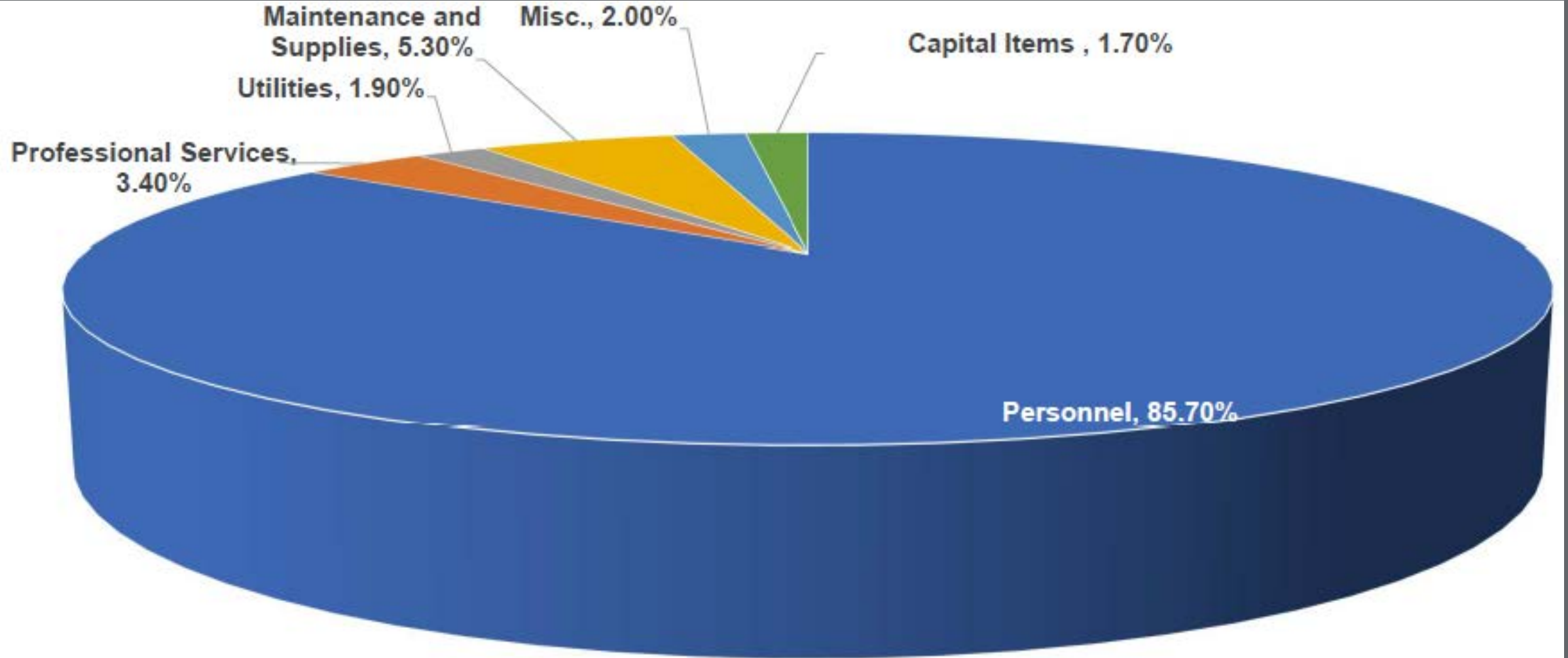
# City Challenges

- **Personnel Costs**
- **Facility Repairs and Maintenance**
- **Streetlights**
- **Aging Infrastructure**
- **Taxpayer Financial Limitations**





# Personnel = 85.7% of General Fund Allocation



# Personnel

664.70

TOTAL POSITIONS

524.16

GENERAL FUND POSITIONS

104.25

NON-BENEFITTED POSITIONS - Election  
Workers, Interns, Prov. and Temporary Employees

560.45

BENEFITTED POSITIONS  
(DOWN FROM 573.95 IN 2020)

49.79

FUNDED BY OTHER FUNDING  
SOURCES



# Salary and Benefits

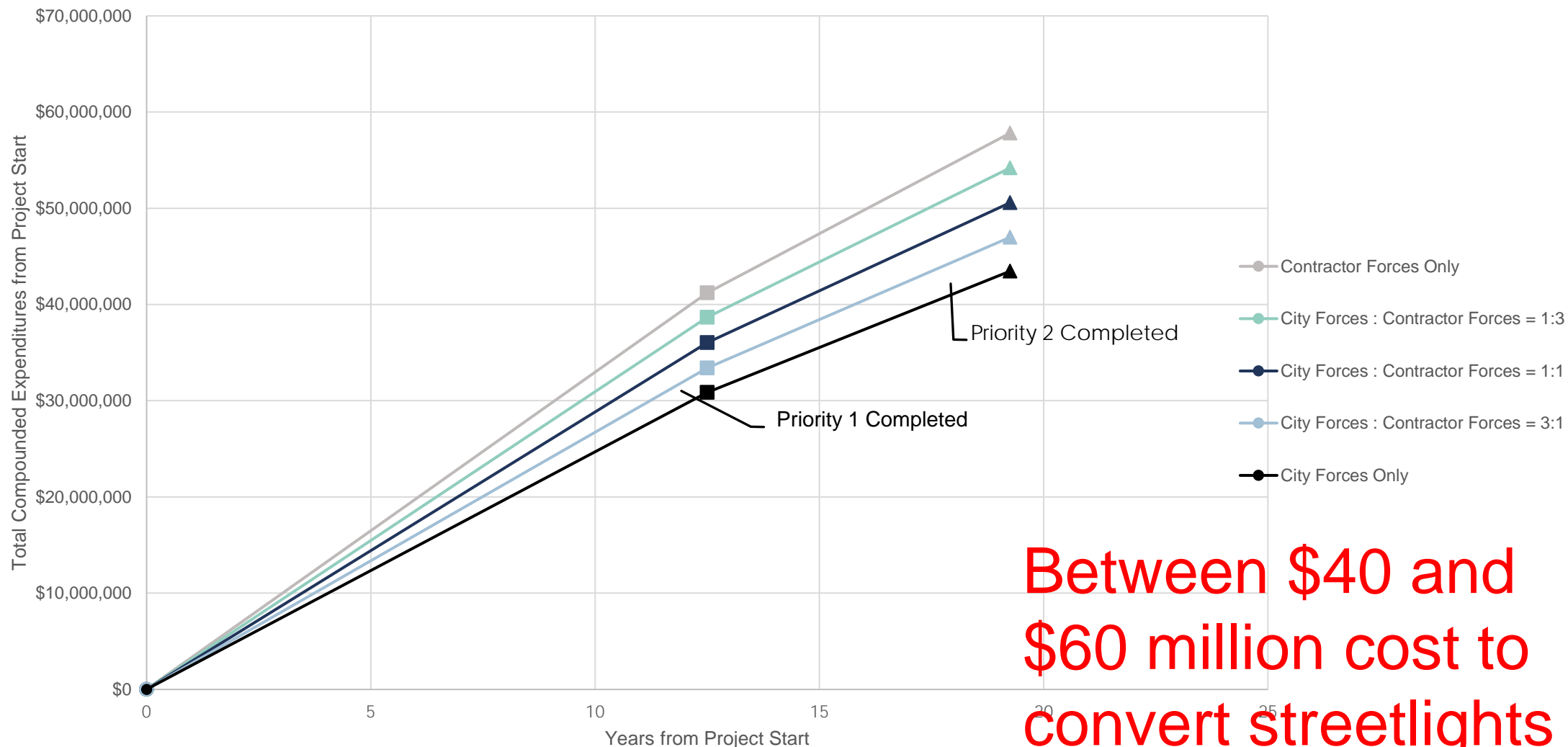
	2020	2021	Difference	
Salaries	\$34,432,106	\$35,093,588	\$661,482	1.92%
Health and Dental – Active Employees	\$9,680,281	\$9,768,394	\$88,113	.91%
Retiree Benefits	\$1,200,000	\$1,442,625	\$242,625	20.22%

Salary Increases Offset by Reduction of Employees.  
Increases exist due to contracts in police (~\$474,000) and  
fire department (~\$340,000).



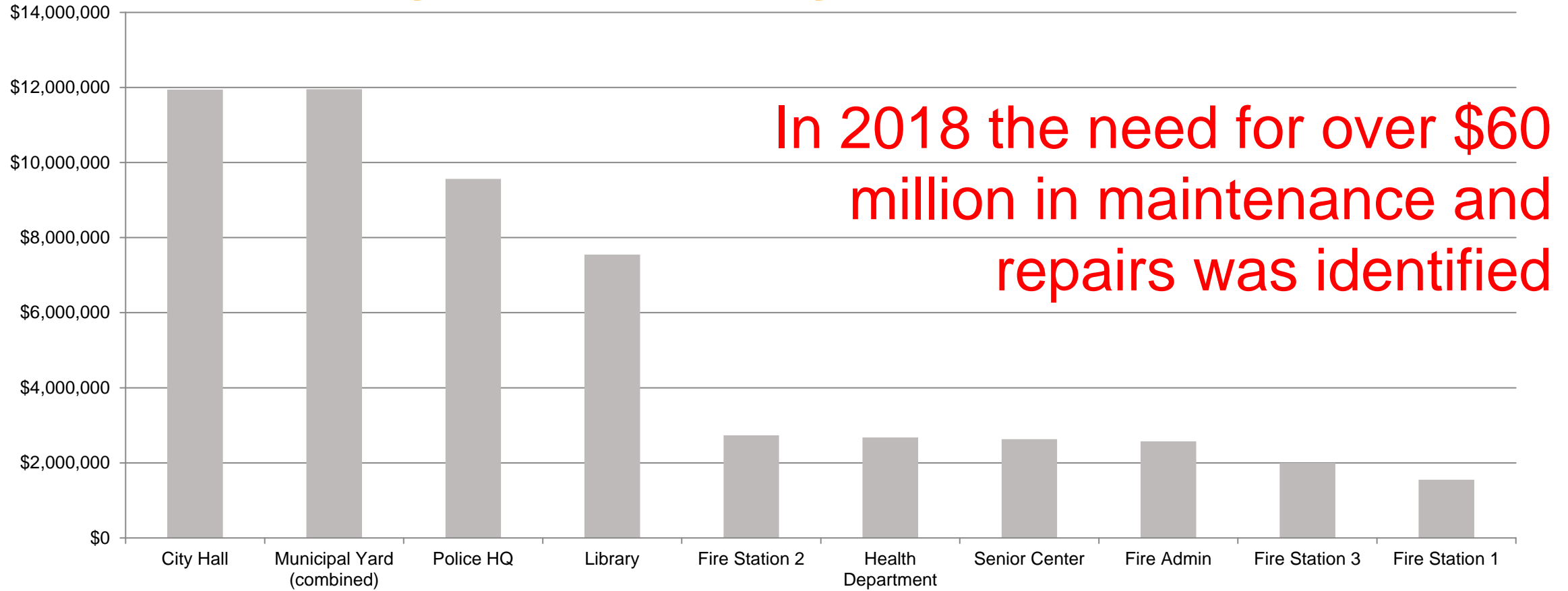
# Street Light Conversion Project

Compounded Cost for High Voltage Circuit Conversions - City Forces and Contractor



Between \$40 and \$60 million cost to convert streetlights

# City Facility Costs



The net present value of replacing or repairing equipment reviewed in this study is \$60,053,269 over 30 years. These costs are estimates of what it will take to keep the existing assets replaced with similar systems. It does not consider potential technology upgrades or increased demand at the facilities. This equates to approximately \$2 million dollars per year that should be allocated for capital improvement projects with at least a 3% inflation per year. The future value of the inflated costs is approximately \$92,862,128.

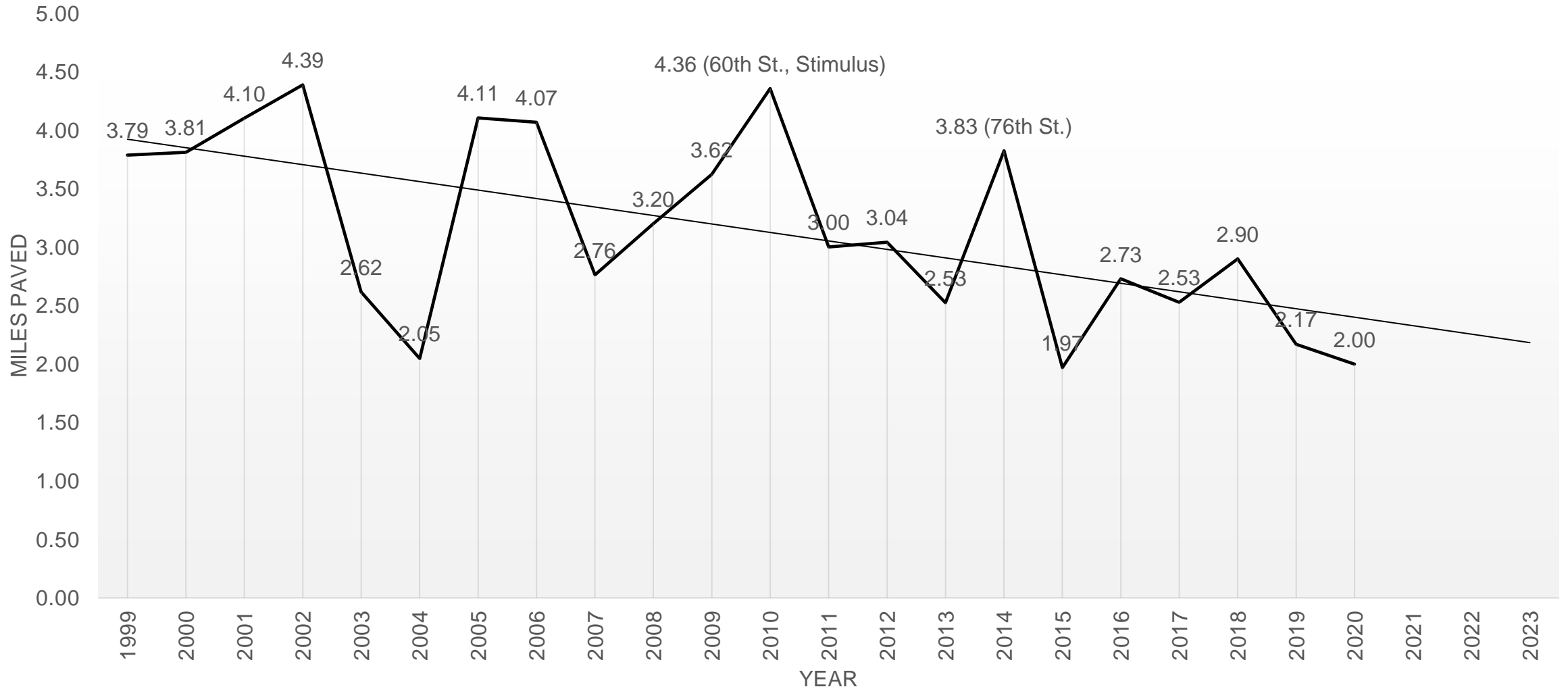
\*data obtained from McKinstry Executive Summary



# Aging Infrastructure

Infrastructure	Existing Total	Replacement Cycle
Streets	174.76 miles	70 year
Water Mains	215.8 miles	159 year
Sanitary Sewer Mains	172.18 miles	81.4 year

# Miles Paved by Year





# Demographics

**60,325**

Population Estimate  
4/1/2020

**52%**

Owner Occupied  
Housing Units

**\$146,100**

Median Value of  
Owner Occupied  
Housing Units

**\$52,325**

Median Household  
Income (2019 \$)

**12%**

Persons in Poverty

**15%**

Persons over 65

# State Imposed Limitations

- Levy Limits
- Expenditure Restraint Program (ERP)

**What is it?** Aid provided by State to municipalities who limit growth in spending.

**How is it calculated?** For the year prior to the aid payment, the rate of the budget growth cannot exceed the inflation rate plus an adjustment based on the growth in municipal property values.

**What is the aid amount we get if we remain within the limit?**  
~\$1,500,000 per year (or less than 3% of our annual budget)

**What has been the average ERP limit in past 7 years?** 2.1% (2016 increase was one of the lowest at ~\$700,000)

# Expenditure Restraint Program



# History of ERP

1990 - Established due to the way state aid was determined; aid was allocated based on spending increases in spending were encouraged so more aid was received

1994 - Qualified tax rate was changed to 5 mills and limit was changed to GF Funding set at \$42 million for program with 240 towns, villages, and cities participating

2003 - Funding was changed to \$58,145,700 for 319 towns, villages and cities who participate

2020 - Funding has remained at 2003 levels



## What are levy limits?

Levy Limits provide prohibit county, city, villages or towns from increasing their base levy by more than the percentage change of net new construction, between the previous year and the current year.

## What is net new construction?

New construction minus demolition costs, divided by the total equalized value.

## What is the penalty for exceeding the levy limit?

The penalty is a dollar-for-dollar loss of shared revenue. **Ex.:** If a municipality exceeds its levy limit by \$1,000, its state shared revenue payment is reduced by \$1,000.

# Levy Limits



# History of Levy Limits

2005

Enacted in 2005 for 2006 levies to slow local property tax increases  
Linked to net new construction, but a floor of 2% was established

2006 – 2010

Levy Limit Floor varied between 2% and 3.86%; this allowed fully developed and slow growth communities to be protected in the event their net new construction was low

2011

Law was changed so that any levy increase was limited to property values of net new construction and the floor was removed for the 20212 levies; fully developed and slow growth communities lost protection of the minimum increases



# Levy Limits v. ERP

- We have typically been constrained by the ERP in the City of West Allis
- Over the past seven years the average increase allowed in the budget has been 2.1%
- In 2016, the allowable increase was ~\$700K, instead of eliminating services or staffing to meet the constraint, there was a change to the city's health care plan
- The ERP limit applies to 100% of the GF budget
- The levy limits, which applies to ~60% of the GF budget, have averaged .7%
- In 2022 our constraint will be the levy limit and not the ERP
- If the 7-year average of the levy limits is .7% and ERP has been 2.1% why weren't we constrained by the levy limits over the past 7 years
  - ERP applies to 100% of the budget; levy limits applies to ~60% of the budget
  - Certain adjustments to the levy limit can be claimed by municipalities
  - The debt service adjustment has been used by the City to take advantage of the higher increase under the ERP



# Why can't you just use the Debt Service Adjustment again?

- The debt service adjustment has been aggressively used on the levy limit worksheet to offset the levy limits since 2017
- There is no additional capacity in the debt service adjustment to do that in 2022
- It is recommended that the adjustment is used to fund one-time projects and equipment purchases not GF operating costs or a gap will eventually occur which is what is happening now

# What does all this mean?

For the 2022 Budget – the increase to our GF budget, where most of our operating costs are is limited to

**\$350,000**

Practically speaking we have about a \$1.7 million gap between what the allowable levy increase and the 2022 budget requests

# I heard the City is getting over \$30 million from the Federal government from the American Rescue Plan Act (ARPA), why can't the city just use that?

There are limitations on the spending of the ARPA money, ineligible uses include:

- General infrastructure other than water, sewer, storm, and broadband
- Debt payments and issuance costs
- Legal settlements or judgments
- Deposits to pension funds
- Certain premium pay amounts
- Operating costs except as they relate to public health responses and negative impacts of COVID- 19

Failure to comply with the guidelines for use, will required repayment of the initial allocation (50% of the money), and loss of the future allocation (other 50% of the money)

- For additional details, view the Common Council Committee of the Whole meeting from June 15, 2021

# If the budget is so bad, why are you \_\_\_?

- Spending money on marketing activities and gateway signs?
  - The Tourism Commission has funding from room tax that must be used on tourism promotion and tourism development; in the past this has been used on marketing activities and city gateway signs, these activities are likely to continue with this funding source
- Spending money on murals?
  - The West Allis Living Streets program which is part of the Artscape Committee Activities receives funding for the murals from the First-Ring Industrial Redevelopment Enterprises (FIRE), a regional community development entity, run through the City of West Allis' Economic Development Department. More murals and art activities are planned using this funding source.
- Spending money on adding parks and things like the Burnham Streetscaping?
  - Economic Development and amenities has and continues to be a priority for the City. Money used in these projects is a combination of grant funding and other non-levy sources. It does include allocations from the GF due to the prioritization of the initiatives as well as positive effects on the community (additional development, desirable neighborhoods, etc.)



# Next Steps

## Immediate

- The Mayor's recommended budget will be introduced to the Council on October 19.
- Prior to the completion and introduction, meet with departments to discuss additional opportunities for reallocation and staffing adjustments, service delivery changes, and administrative cost recovery
- Eliminate the ~\$1.7 gap that exists between budget requests and limits increase.
- Review Structure Deficit Recommendations with Common Council, Standing Committees, and other governing boards and implement if approved
- Educate interested parties on budget challenges and limitations

## Long Term

- Actively work with other municipalities to create joint service delivery models
- Work to consolidate City buildings for lower repair and maintenance, shared employees, and return parcels to the tax base
- Work with the League and other municipalities to educate the public on how Wisconsin's property tax model, with levy limits and expenditure restraint is not sustainable especially for fully developed municipalities

# QUESTIONS?

*West Allis*

