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Office of the City Clerk

**COMMITTEE OF THE WHOLE
Long-Range Financial Planning &
FY2017 Budget Development Workshop
Tuesday, July 19, 2016
6:00 PM
Christine Nuernberg Hall**

Agenda

1. Call to order, Roll Call
2. FY2016 Status Update
3. Review of Long-Range Financial Planning Considerations
4. Discussion Concerning Development of FY2017 Budget
5. Review of FY2017 Budget Development Milestones
6. Other Matters
7. Adjourn

Dated: July 15, 2016

/s/ Dan Abendroth, Chairman

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Notice is hereby given that a quorum of other governmental bodies may be present at this meeting to present, discuss and/or gather information about a subject over which they have decision-making responsibility, although they will not take formal action thereto at this meeting.

Persons with disabilities requiring accommodations for attendance at this meeting should contact the City Clerk's Office at 262-236-2914, twenty-four (24) hours in advance of the meeting.

Any questions regarding this agenda may be directed to the City Administrator's Office at 262-236-2941, Monday through Friday, 8:00 AM – 4:30 PM.

MEMORANDUM

Date: July 14, 2016

To: Mayor & Members of the Common Council

From: William Jones, City Administrator
Thomas Watson, Finance Director

Subject: Special Committee of the Whole Workshop Meeting - July 19, 2016

In connection with the Common Council's Special Committee of the Whole Workshop Meeting to discuss long-range financial planning and preliminary development of the City's FY2017 budget, this memorandum is being distributed to provide an overview of the topics that will be addressed at next Tuesday evening's meeting. City staff is allotting approximately two hours of time for the Committee to both review information and data related to the City's long-term financial condition, and to discuss key policy directives related to the formulation of next year's budget. The following provides an overview of the general topic areas that will be addressed at next week's meeting.

FY2016 STATUS UPDATE

As indicated on the attached meeting agenda, the first segment of the workshop meeting will be devoted to providing the Committee with an update and overview of the City's financial performance during the first six months of Fiscal Year 2016. A brief update regarding the status of major budget initiatives during FY2016 will also be presented. Contextually, staff will also provide an overview of historical trends related to the City's major revenue sources, primary expenditures and overall staffing levels during the last ten fiscal years. Attached for the Committee's review is a two-page Mid-Year Financial Report prepared by the Finance Department that shows the year-to-date status of all of the City's major revenue sources and expense categories through the period ending June 30, 2016.

LONG-RANGE FINANCIAL PLANNING

The majority of Tuesday evening's meeting will be dedicated to a review of issues related to long-range financial planning, specifically in regard to the City's approach to funding capital expenditures. During this discussion, staff will provide an overview of the City's debt service obligations relative to current and anticipated funding requirements, and identify options for funding the City's long-term capital needs into the future. A portion of this discussion will also provide the Committee with an overview of the City's various asset classes, and a review of the current methodology that is being utilized to both maintain and replace the City's publicly-owned resources.

FY2017 BUDGET CONSIDERATIONS

The other primary objective of Tuesday's meeting is to initiate discussion concerning some identified factors that will need to be considered as staff begins the process of preparing the City's FY2017 budget. Accordingly, staff will provide the Committee with an overview of the considerations that are known at this early stage of the budgeting process, as well as some of the

information that will need to be gathered or developed in order to formulate the budget. Staff is also planning to engage members of the Committee in an interactive prioritization process, with an eye towards achieving consensus on those objectives which staff is to pursue as it begins development of the FY2017 budget. Accordingly, it is requested that members of the Committee bring a smart phone or a laptop computer with wireless capability to next week's meeting.

FUTURE MILESTONES

Following Tuesday evening's meeting, it is anticipated that FY2017 Budget Development Guidelines will be distributed to the City Department Heads. Subsequently, City departments will have approximately one (1) month to prepare proposed budget requests, in advance of the August 15 submission deadline. Thereafter, individual budgets meetings will be conducted with each department to review proposed requests, and the Finance Department will then undertake the process of creating a draft annual budget. Once finalized, the draft FY2017 budget will be distributed to members of the Common Council and be made available for public inspection during the first week of October.

This year, City staff is proposing to place the entire budget document on the City website for review by the public; this differs from the approach taken in past years, when only the City Administrator's transmittal letter has been posted publicly.

Currently, City staff has identified three potential dates and times during which the Appropriations Committee could meet to review the proposed budget, as follows:

- Thursday, October 13 - 6:00 p.m.
- Saturday, October 15 - 9:00 a.m.
- Tuesday, October 18 - 6:00 p.m.

Given that the Common Council typically adopts the annual budget at its regular meeting during the second week in November (so as to allow City staff appropriate time to develop, print and mail tax bills by December 1), the public hearing to formally consider and adopt the FY2017 budget is tentatively scheduled for Wednesday, November 9. As such, and in accordance with publication and notice provisions that are required for public hearings, the last day to reasonably conduct a meeting of the Appropriations Committee is Wednesday, October 19.

ATTACHMENTS

Fiscal Year 2016 Mid-Year Financial Report

General Governmental Revenues by Source: FY2006-15

General Governmental Expenditures by Function: FY2006-15



CITY OF MEQUON
FINANCIAL SUMMARY REPORT
FISCAL YEAR 2016 (JANUARY 1 - JUNE 30)

| REVENUES | Original Budget | Amended Budget | Actual | YTD % | PRIOR YRS COMPARISON | | | |
|--------------------------------|--------------------|-------------------|------------------|---------------|----------------------|------------------|------------------|------------------|
| | | | | | FY 15 ACTUALS | FY 14 ACTUALS | FY 13 ACTUALS | FY 12 ACTUALS |
| Taxes | 10,268,517 | 10,268,517 | 7,097,778 | 69.12% | 6,948,767 | 6,900,292 | 7,031,074 | 6,396,161 |
| State Shared Revenue | 505,654 | 505,654 | 154,934 | 30.64% | 543,447 | - | - | 127,238 |
| Intergovernmental | 1,338,165 | 1,338,165 | 653,101 | 48.81% | 346,579 | 643,673 | 646,973 | 591,525 |
| Licenses | 54,450 | 54,450 | 54,764 | 100.58% | 46,631 | 45,876 | 41,809 | 44,491 |
| Permits - Inspection | 939,000 | 939,000 | 389,616 | 41.49% | 329,534 | 364,469 | 302,860 | 287,938 |
| Permits - Other | 60,900 | 60,900 | 47,578 | 78.12% | 49,007 | 41,394 | 43,483 | 45,387 |
| General Fees | 75,000 | 75,000 | 43,635 | 58.18% | 79,696 | 40,027 | 33,999 | 32,516 |
| Public Safety Fees | 754,589 | 754,589 | 271,942 | 36.04% | 237,113 | 260,993 | 268,779 | 281,851 |
| DPW Fees | 145,100 | 145,100 | 47,214 | 32.54% | 22,748 | 22,641 | 37,087 | 8,727 |
| Pool & Park Fees | 98,585 | 98,585 | 76,829 | 77.93% | 63,787 | 43,824 | 50,269 | 68,033 |
| Development Fees | 102,500 | 102,500 | 32,551 | 31.76% | 40,135 | 35,545 | 27,591 | 27,819 |
| Special Assessments | 2,500 | 2,500 | 1,942 | 77.68% | 1,852 | 2,253 | 1,997 | 2,381 |
| Internal Service Fee | 485,000 | 485,000 | - | 0.00% | - | - | 2,500 | - |
| Other Revenue | 923,500 | 923,500 | 191,635 | 20.75% | 260,835 | 381,665 | 364,610 | 383,629 |
| Investment Revenue | 19,000 | 19,000 | 9,392 | 49.43% | 12,386 | 7,519 | 2,593 | 11,180 |
| Total General Fund Revs | 15,772,460 | 15,772,460 | 9,072,911 | 57.52% | 8,982,517 | 8,790,171 | 8,855,624 | 8,308,876 |

Postive variance vs. year-to-date budget, or timing difference not anticipated to result in a year-end variance

Negative variance of .01% to 4.99% vs. year-to-date budget

Negative variance ≥ 5% vs. year-to-date budget

- Notes:
- Property taxes are collected in January, February and August
 - State Shared Revenue payment timing varies from year to year, typically June or July.
 - Food and Alcohol Licenses are due by 6/30 of each year
 - General Fees include Dog licenses, Copies and Sale of Supplies
 - Public Safety Fees (Ambulance, Court) increase as the year progresses
 - Other Revenue includes: Cell Tower Leases, Cable TV Fees, annual Workers Compensation Dividend & Fund Balance Transfers

| EXPENDITURES | Original | Amended | Actual | YTD % | FY 15 | FY 14 | FY 13 | FY 12 |
|-------------------------------|-------------------|-------------------|------------------|---------------|------------------|------------------|------------------|------------------|
| | Budget | Budget | | | ACTUALS | ACTUALS | ACTUALS | ACTUALS |
| Common Council | 82,217 | 82,217 | 55,780 | 67.84% | 49,572 | 47,451 | 46,729 | 54,782 |
| Mayor | 11,168 | 11,168 | 5,950 | 53.28% | 5,606 | 5,878 | 6,046 | 5,678 |
| City Administrator | 389,708 | 310,768 | 130,352 | 41.95% | 118,679 | 120,522 | 102,632 | 105,392 |
| City Clerk | 258,258 | 261,228 | 123,350 | 47.22% | 108,862 | 110,837 | 111,923 | 123,978 |
| Elections | 83,901 | 83,901 | 28,108 | 33.50% | 16,168 | 12,220 | 22,715 | 50,591 |
| Information Services | 318,534 | 318,534 | 173,150 | 54.36% | 145,597 | 122,801 | 109,080 | 110,162 |
| Finance | 457,949 | 462,876 | 220,961 | 47.74% | 270,219 | 309,797 | 255,857 | 268,870 |
| Assessor | 209,724 | 210,480 | 109,617 | 52.08% | 73,959 | 46,566 | 43,755 | 50,266 |
| Human Resources | 193,817 | 196,179 | 104,323 | 53.18% | 89,979 | 89,346 | 77,737 | 78,189 |
| Legal Counsel | 113,300 | 113,300 | 23,278 | 20.55% | 21,874 | 64,428 | 78,212 | 57,547 |
| Police | 4,853,610 | 4,861,302 | 2,283,644 | 46.98% | 2,101,640 | 2,090,416 | 2,194,211 | 2,100,322 |
| Fire/EMS | 1,300,370 | 1,302,792 | 693,807 | 53.26% | 687,278 | 653,447 | 621,839 | 644,038 |
| Communications | 637,283 | 645,158 | 272,993 | 42.31% | 266,365 | 273,234 | 261,416 | 249,327 |
| Police Reserve | 8,359 | 8,359 | 2,625 | 31.40% | 1,142 | 502 | 2,443 | 714 |
| Inspections | 436,734 | 440,783 | 172,121 | 39.05% | 169,588 | 182,620 | 153,175 | 172,752 |
| Building Maintenance | 762,145 | 767,548 | 378,723 | 49.34% | 376,541 | 380,174 | 315,583 | 385,181 |
| Fleet Services | 562,373 | 566,116 | 226,538 | 40.02% | 237,971 | 271,495 | 212,757 | 248,721 |
| Engineering | 792,091 | 798,656 | 309,103 | 38.70% | 314,843 | 247,030 | 316,214 | 271,413 |
| Highway | 2,121,200 | 2,141,752 | 939,918 | 43.89% | 994,854 | 1,116,111 | 972,190 | 1,115,901 |
| Recycling | 23,455 | 23,455 | 1,876 | 8.00% | 3,203 | 3,179 | 3,009 | 3,232 |
| Library Grant | 1,048,315 | 1,048,315 | 786,236 | 75.00% | 786,236 | 787,619 | 496,820 | Separate Fund |
| Swimming Pool | 121,115 | 121,115 | 29,529 | 24.38% | 25,757 | 25,513 | 22,926 | 34,151 |
| Parks | 566,580 | 570,696 | 236,980 | 41.52% | 240,209 | 292,571 | 293,420 | 213,459 |
| Cemetary | 1,500 | 1,500 | - | 0.00% | - | - | - | 855 |
| Planning | 418,754 | 424,262 | 197,163 | 46.47% | 187,399 | 194,822 | 180,878 | 186,671 |
| Total General Fund Exp | 15,772,460 | 15,772,460 | 7,506,125 | 47.59% | 7,293,541 | 7,448,579 | 6,901,567 | 6,532,192 |
| Net Surplus (Loss) | - | - | 1,566,786 | | 1,688,976 | 1,341,592 | 1,954,057 | 1,776,684 |

Notes:

Common Council spending on Misc. Services (Special Events) is currently tracking over budget
 Finance Dept chargeback for Liability Insurance performed at year end
 Highway Snow supplies are 38% expended at mid-year

Table 5

**CITY OF MEQUON
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

| Fiscal Year | Taxes | Inter-Governmental | Licenses, Permits, Fines, Forfeitures and Penalties | Public Charges for Services | Investment Income | Other Revenues | Total Revenues | | | | | | |
|-------------|---------------|--------------------|---|-----------------------------|-------------------|----------------|----------------|-------|------------|-------|------------|------|---------------|
| 2006 | \$ 12,275,733 | 67.9% | \$ 2,437,176 | 13.5% | \$ 1,203,755 | 6.7% | \$ 978,734 | 5.4% | \$ 735,420 | 4.1% | \$ 449,649 | 2.5% | \$ 18,080,467 |
| 2007 | 12,475,502 | 70.2% | 1,814,436 | 10.2% | 1,113,504 | 6.3% | 1,025,262 | 5.8% | 950,518 | 5.4% | 380,545 | 2.1% | 17,759,767 |
| 2008 | 12,781,935 | 68.5% | 1,885,540 | 10.1% | 1,177,444 | 6.3% | 1,863,998 | 10.0% | 741,986 | 4.0% | 209,300 | 1.1% | 18,660,203 |
| 2009 | 13,012,008 | 68.5% | 2,888,511 | 15.2% | 1,101,106 | 5.8% | 1,518,183 | 8.0% | 194,187 | 1.0% | 275,090 | 1.4% | 18,989,085 |
| 2010 | 13,607,270 | 71.5% | 2,545,498 | 13.4% | 1,165,138 | 6.1% | 1,240,937 | 6.5% | 176,734 | 0.9% | 293,423 | 1.5% | 19,029,000 |
| 2011 | 13,568,659 | 73.0% | 1,997,915 | 10.7% | 1,170,613 | 6.3% | 1,288,601 | 6.9% | 174,997 | 0.9% | 390,327 | 2.1% | 18,591,112 |
| 2012 | 13,260,969 | 70.6% | 2,533,394 | 13.5% | 1,257,439 | 6.7% | 1,315,941 | 7.0% | 108,638 | 0.6% | 303,432 | 1.6% | 18,779,813 |
| 2013 | 13,489,588 | 71.6% | 1,947,547 | 10.3% | 1,458,066 | 7.7% | 1,489,731 | 7.9% | 60,715 | 30.0% | 386,589 | 2.1% | 18,832,236 |
| 2014 | 13,599,333 | 71.3% | 2,118,275 | 11.1% | 1,568,617 | 8.2% | 1,602,653 | 8.4% | 119,292 | 0.6% | 71,699 | 0.4% | 19,079,869 |
| 2015 | 13,712,286 | 70.8% | 2,174,623 | 11.2% | 1,489,108 | 7.7% | 1,682,838 | 8.7% | 102,244 | 0.5% | 193,875 | 1.0% | 19,354,974 |

Includes General, Special Revenue, Debt Service, and Capital Project Funds. Since 2010, certain revenues have been reclassified.

Table 6

CITY OF MEQUON
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

| Fiscal Year | General Government | | Public Safety | | Public Works | | Community Enrichment | | Capital Outlays | | Debt Service | | Total Expenditures |
|-------------|--------------------|-------|---------------|-------|--------------|-------|----------------------|-------|-----------------|-------|--------------|-------|--------------------|
| 2006 | \$ 2,821,101 | 15.5% | \$ 6,024,443 | 33.1% | \$ 4,600,183 | 25.3% | \$ 1,603,463 | 8.8% | \$ 1,886,940 | 10.4% | \$ 1,237,709 | 6.8% | \$ 18,173,839 |
| 2007 | 3,300,380 | 18.3% | 6,419,649 | 35.6% | 4,598,917 | 25.5% | 1,661,876 | 9.2% | 923,356 | 5.1% | 1,139,603 | 6.3% | 18,043,781 |
| 2008 | 3,147,704 | 14.3% | 6,592,056 | 30.0% | 5,329,775 | 24.2% | 1,776,535 | 8.1% | 3,981,521 | 18.1% | 1,167,893 | 5.3% | 21,995,484 |
| 2009 | 2,718,441 | 11.5% | 6,588,793 | 27.9% | 3,470,061 | 14.7% | 2,268,129 | 9.6% | 6,861,097 | 29.1% | 1,670,490 | 7.1% | 23,577,011 |
| 2010 | 2,718,441 | 11.6% | 6,520,263 | 27.7% | 3,586,628 | 15.3% | 2,268,129 | 9.6% | 5,784,174 | 24.6% | 2,633,088 | 11.2% | 23,510,723 |
| 2011 | 2,536,926 | 11.8% | 6,586,480 | 30.7% | 3,487,367 | 16.3% | 2,237,262 | 10.4% | 4,587,815 | 21.4% | 2,021,823 | 9.4% | 21,457,673 |
| 2012 | 2,471,264 | 12.2% | 6,550,281 | 32.3% | 3,162,346 | 15.6% | 2,217,771 | 10.9% | 2,194,148 | 10.8% | 3,698,069 | 18.2% | 20,293,879 |
| 2013 | 2,386,454 | 11.0% | 6,651,414 | 30.7% | 3,142,843 | 14.5% | 2,204,748 | 10.2% | 3,195,577 | 14.8% | 4,076,739 | 18.8% | 21,567,775 |
| 2014 | 2,679,908 | 11.0% | 6,767,586 | 27.9% | 3,290,198 | 13.6% | 2,261,855 | 9.3% | 6,427,077 | 26.5% | 2,843,740 | 11.7% | 24,270,364 |
| 2015 | 2,636,148 | 10.5% | 7,108,172 | 28.3% | 3,261,237 | 13.0% | 2,193,043 | 8.7% | 6,879,764 | 27.4% | 3,055,175 | 12.2% | 25,133,539 |

Includes General, Special Revenue, Debt Service, and Capital Project Funds.

Public Health and Conservation and Development expenditures are reported under General Government in this schedule.

In 2006, the functional areas were realigned to separate Parks from the Conservation and Development area and then creating the Community Enrichment functional area by combining the Parks, Library, and Leisure Activities (swimming pool) components.