

October 18, 2001

Mayor Ed McAleer
Delafield City Council Members
City of Delafield
500 Genesee Street
Delafield, Wisconsin 53018

Regarding: Letter of Transmittal for Proposed Fiscal Year 2002 Budget

Dear Mayor McAleer and Council Members:

I am pleased to present you with the Proposed Fiscal Year 2002 Budget for your review and adoption. The proposed budget represents your staff's collective effort to provide a balanced budget that meets basic fiscal policies and responds to the goals, objectives and priorities you deem important. The budget is not simply a plan to spend money. The document represents a vision to protect and enhance the value of investments our residents and business owners have made in the community. This year's budget includes a focus of additional resources in the Police Department, Parks and Recreation, and the Delafield Library, while at the same time investing resources to provide top quality services in all other departments.

Even with those new investments and a significant contribution to our General Fund reserves, I am pleased to report a reduction in the city's proposed tax rate. It goes without saying that this is only possible due to the healthy growth of property values in the City of Delafield. Property values grow in two ways: new community development, and the natural rise in the market value of properties. As we all know, the growing values due to increasing market values are a double-edged sword. As a community, we do things to make our community better. We invest in schools, parks, and quality services to make Delafield a better place to live, work, and play. Although rising values are preferred to declining values, the rise adds financial pressure at a time of economic uncertainty. Recognizing this pressure lead staff to identify a number of deferred expenses, cutbacks in spending, and creative ways of providing service. These ideas are described in detail later in this summary.

Benchmarking

In the business world, companies that want to get better look at the practices and policies of those companies that are considered industry leaders. The municipal government side should be no different. *Milwaukee Magazine* printed articles in 1998 and 2001 comparing 40 suburban Milwaukee communities. In the 1998 article, Delafield fared very well, ranking 4th overall behind River Hills, Bayside, and Elm Grove. The article reports on statistical comparisons that measure the quality of schools, safest streets, lowest taxes, and best parks among other factors in determining the communities' ranking. When the study was

updated in 2001, Delafield's ranking (based upon the same criteria and formulas) dropped from 4th to 16th, behind River Hills, Bayside, Cedarburg, Hartland, Muskego, Whitefish Bay, New Berlin, Menomonee Falls, Mequon, Franklin, Elm Grove, Fox Point, Oconomowoc, Shorewood, and Sussex, in that order. In the criteria that the city controls (Public Safety Spending, Government Spending, Property Taxes, and Parks), the city's ratings either dropped, or, still ranked below the average of all other communities in the list. The other criteria in the report are simply out of the city's control (for example, schools). Some would argue that the articles are not the definitive source of validation for our residents and business owners. Although this is true, it would be a mistake to assume that potential residents or businesses ignore these types of analyses when making decisions to buy a house or locate a business. The fact of the matter is that there isn't a better analysis other than the articles. The reports were prepared using researchers from the UWM Center for Urban Initiatives and Research and data from the Public Policy Forum, both reputable information sources. In conclusion, the reports represent only one indication of the quality of life in a community. Other indicators include the city's annual community opinion survey and the results of the goals and priorities workshop. All three information sources suggested that the city needed to focus more attention on Police services, Park and Recreation services, and Library services. Certainly other needs were identified, however resources are limited and cause us to prioritize expenditures. The budget document meets that challenge.

Here are some other facts for your consideration:

- ◆ The Delafield Library circulated 37,037 items in 1980. That number soared to 95,099 in 2000, a 156.8% increase.
- ◆ The Delafield Police Department has a "Clearance Rate" of 51.1%, ranking first among comparison communities including Brookfield, Cedarburg, Oconomowoc, Waukesha, Muskego, New Berlin, Pewaukee, Menomonee Falls, Hartland, Elm Grove, and Mukwonago.
- ◆ In the year 2000, the Delafield Fire Department responded to 565 total fire and Emergency Medical Services incidents. The department ranks 11 out of 31 departments in Waukesha County for highest call volume, and has the second lowest net cost per call ratio within its comparable group.
- ◆ In 1980, the city's tax rate was \$10.80 per \$1,000. In 2001, the city's tax rate was \$5.16. In 1980, the overall tax rate was \$42.50 per \$1,000 for properties in the Kettle Moraine School District. In 2001, the overall tax rate was \$19.55.

Tax Rate Comparison

The city's main source of revenue is property tax revenue. Almost 71% of the total revenue in the General Fund (where traditional public services are illustrated) comes from property taxes. In order to understand whether Delafield taxes are reasonable, it is critical to understand how the city's tax rate compares with all other Wisconsin cities. According to the May 2001 Wisconsin Taxpayer Alliance magazine, the City of Delafield has the fourth lowest net total tax rate in the state. Here is the ranking:

<u>City</u>	<u>Sorted By</u>		<u>Municipal Rate</u>		
	<u>Net Tax Rate</u>	<u>Rank</u>	<u>Municipal Rate</u>	<u>Rank</u>	<u>As a % of Net Rate</u>
Stanley	\$13.60	190	\$5.39	174	39.63%
Pewaukee	\$16.31	189	\$2.77	190	16.98%
Mequon	\$17.83	188	\$4.97	178	27.87%
Delafield	\$17.96	187	\$4.47	182	24.89%
Oconomowoc	\$17.99	186	\$5.80	166	32.24%
Hudson	\$18.60	185	\$5.92	163	31.83%
Peshtigo	\$18.66	184	\$2.96	188	15.86%
Muskego	\$18.98	183	\$5.39	173	28.40%
Sturgeon Bay	\$19.09	182	\$7.11	129	37.24%
Augusta	\$19.30	181	\$5.90	164	30.57%
Brookfield	\$19.45	180	\$5.96	162	30.64%
Kiel	\$19.83	176	\$3.45	186	17.40%
Sheboygan Falls	\$20.81	164	\$4.57	181	21.96%
Alma	\$20.97	160	\$4.09	185	19.50%
Buffalo City	\$21.25	155	\$3.13	187	14.73%
De Pere	\$21.82	147	\$4.78	180	21.91%
Fountain City	\$22.33	136	\$4.24	184	18.99%
Shullsburg	\$25.19	64	\$2.90	189	11.51%
Owen	\$25.42	57	\$4.31	183	16.96%
State Average:	\$24.23		\$8.34		34.42%

<u>City</u>	<u>Sorted By</u>		<u>Municipal Rate</u>		
	<u>Net Tax Rate</u>	<u>Rank</u>	<u>Municipal Rate</u>	<u>Rank</u>	<u>As a % of Net Rate</u>
Pewaukee	\$16.31	189	\$2.77	190	16.98%
Shullsburg	\$25.19	64	\$2.90	189	11.51%
Peshtigo	\$18.66	184	\$2.96	188	15.86%
Buffalo City	\$21.25	155	\$3.13	187	14.73%
Kiel	\$19.83	176	\$3.45	186	17.40%
Alma	\$20.97	160	\$4.09	185	19.50%
Fountain City	\$22.33	136	\$4.24	184	18.99%
Owen	\$25.42	57	\$4.31	183	16.96%
Delafield	\$17.96	187	\$4.47	182	24.89%
Sheboygan Falls	\$20.81	164	\$4.57	181	21.96%
De Pere	\$21.82	147	\$4.78	180	21.91%
Mequon	\$17.83	188	\$4.97	178	27.87%
Stanley	\$13.60	190	\$5.39	174	39.63%
Muskego	\$18.98	183	\$5.39	173	28.40%
Oconomowoc	\$17.99	186	\$5.80	166	32.24%
Augusta	\$19.30	181	\$5.90	164	30.57%
Hudson	\$18.60	185	\$5.92	163	31.83%
Brookfield	\$19.45	180	\$5.96	162	30.64%
Sturgeon Bay	\$19.09	182	\$7.11	129	37.24%

The danger in comparing tax rates is that some communities include things in their tax bills that others do not. For example, the Delafield tax bill includes the cost of residential refuse

and recycling services. The City of Oconomowoc, Elm Grove, New Berlin, and the Village of Pewaukee do not include refuse and recycling in their tax bills. They may provide more services than we do in other areas, so as a result, the comparison should be used as only one piece of information in a complex equation.

Over the last 13 years, the city's tax rate has been an average of \$5.1484. The proposed tax rate for 2002 is below the average since 1989, and maintains the city's statewide low tax position.

<u>Year</u>	<u>Tax Rate</u>
1989	\$5.551
1990	\$4.943
1991	\$5.996
1992	\$6.466
1993	\$5.109
1994	\$5.463
1995	\$5.472
1996	\$5.509
1997	\$5.508
1998	\$3.803
1999	\$3.950
2000	\$3.999
2001	\$5.16
2002	\$5.0417 (proposed)

General Fund Revenues

The table below compares 2000, 2001 and 2002 revenues.

Revenue Comparison

Department	2000 Budget	2001 Budget	2002 Request	Dollar Change	Percent Change
Administration	\$2,989,105	\$3,191,701	\$3,394,349	\$202,648	6.35%
Police	\$127,450	\$102,150	\$101,900	(\$250)	-0.24%
Fire	\$16,000	\$36,000	\$17,000	(\$19,000)	-52.78%
Ambulance	\$65,000	\$172,000	\$160,000	(\$12,000)	-6.98%
Highways, Streets	\$17,000	\$5,000	\$8,000	\$3,000	60.00%
Cemetery	\$5,000	\$5,000	\$5,000	\$0	0.00%
Total General Fund	\$3,219,555	\$3,511,851	\$3,686,249	\$174,398	4.97%
Property Tax Dollar Levy	\$2,200,951	\$2,166,787	\$2,398,628	\$231,841	
Library Levy	\$178,785	\$178,785	\$280,387	\$101,602	
Debt Service Levy	\$729,597	\$658,022	\$805,000	\$146,978	
Contribution to Fund Balance			\$250,000	\$250,000	
Total Levy	\$3,109,333	\$3,003,594	\$3,734,015	\$730,421	
Assessed Value (TID out)	\$581,911,522		\$740,620,106		
City Tax Rate	\$5.34	\$5.16	\$5.0417	(\$0.120)	

General Fund Expenses

The table below compares our General Fund expenses in 2000, 2001 and proposed investments in 2002.

Expenditure Comparison

Department	2000 Budget	2001 Budget	2002 Request	Dollar Change	Percent Change
Administration	\$505,697	\$615,358	\$632,438	\$17,080	2.78%
Police	\$1,096,224	\$1,168,200	\$1,286,959	\$118,759	10.17%
Fire	\$421,366	\$465,296	\$527,970	\$62,674	13.47%
Ambulance	\$64,958	\$73,032	\$30,235	(\$42,797)	-58.60%
Building Inspection	\$78,470	\$101,720	\$101,720	\$0	0.00%
Highways, Streets	\$766,172	\$780,645	\$828,497	\$47,852	6.13%
Cemetery	\$7,345	\$6,200	\$6,347	\$147	2.37%
Park/Recreation	\$81,276	\$88,622	\$77,888	(\$10,734)	-12.11%
Cable TV	\$4,200	\$10,000	\$15,000	\$5,000	50.00%
Planning and Development	\$193,847	\$168,614	\$179,195	\$10,581	6.28%
Total General Fund	\$3,219,555	\$3,477,687	\$3,686,249	\$208,562	6.00%

General Fund Highlights

Administration Department: The City Clerk and her staff provide the core functions in this support services department. The department provides staff support to all boards, committees, and commissions, prepares legal notices, handles elections without dangling chad disputes, process payroll, runs the accounting functions and provides a variety of other support functions. Staff proposes the addition of one new employee in the department that would provide the necessary expertise in accounting and financial matters. The employee would be funded from three different areas: \$25,000 in the General Fund, \$10,000 in the Water Fund, and \$10,000 in the Sewer Fund. We do not have a staff member in the Administration Department with any formal accounting background. As a result, our financial analysis, reporting, follow-through and expertise suffer, through no lack of effort on the part of department staff.

Police Department: Responding to issues identified earlier, the Police Department budget includes two new patrol officers: one starting April 1, 2002, and the second starting October 1, 2002. The Police Department budget also illustrates a reduced cost for dispatching services due to a reformulation of the Lakes Area Communications System. The LACS Board of Directors has implemented a policy change in the way each community pays for service. The new formula has resulted in a significant increase for the City of Pewaukee, which has led the City of Pewaukee to question its continued involvement with the dispatching center. If they refuse to pay the bill provided to them under the new formula, it would result in higher costs for other members. In essence, the other communities would subsidize Pewaukee. At the time of this writing, we don't know what Pewaukee will do, however, I can not recommend subsidizing the community. If they do not agree to the new formula, it is my recommendation that we seek services with either the county or another entity as soon as contractual obligations would permit. It is anticipated that the city will move into the county's plan for countywide consolidated dispatching services in 2004 or 2005.

Fire Department: this budget request recognizes an increase in our uncollectible bills for paramedic service (a natural outgrowth of additional number of calls), and the full year's salary for the new paramedic added in the 2001 budget. The comment above regarding dispatching services applies to the Fire Department as well.

Public Works Department: the Public Works Department made a good case for hiring an additional staff member to accommodate the increased responsibilities for maintaining our assets. We need to focus on improving the upkeep of our parks, maintaining our utility systems, and improving workplace training. However, in an effort to reduce expenses that come with adding staff, we isolated where the resources were truly needed, and that was in the area of park maintenance. The budget proposes supplementing summer part-time employees with contracting out landscape maintenance in all of the Delafield parks. By contracting out this service, we can maintain our existing staffing levels, and redistribute the work hours to priority assignments.

Park and Recreation: this budget appears to be reduced from last year, however, it was discovered that last year's budget for Fish Hatchery expenses was too high. A reduction in those expenses left room to accomplish all projects, programs, and services requested by the Park and Recreation Commission, including the long anticipated Park Coordinator part-time position. With two new parks coming online next year (Copperfield/Valley Road Farms Park and the Geason property), significant strides can be made in the recreation arena.

Library: As you know, the Library Board reviews and establishes the library's annual budget. Wisconsin libraries typically spend 68.5% of their budgets on salaries, wages and benefits; 14% on books and materials; and 17.5% on all other operating expenses. Much like the city government, the library budget is service-oriented. The library's 2002 budget reflects the statewide percentages, as Delafield's library would spend 65.3% on personnel costs, 14.3% on books and materials, and 20.4% on all other expenses. Next to sidewalks in downtown Delafield, investments in the library received the highest rating at the August 9, 2001 goals and priorities workshop. The increased expenses for the library recognize this priority.

Next year's budget also repeats last year's request for a Public Works Director position to be paid for out of the water and sewer funds. The intent is to create a departmental structure similar to that in the Village of Hartland. The purpose of this position is to plan, manage and direct City public works, engineering, capital projects construction, repair and maintenance for water, sanitary sewers, stormwater control, parks, recycling, yard waste, cemeteries and streets. Here is a sample of what this person would do:

- ◆ Supervises, directs, and coordinates public works engineering, construction, operation and maintenance activities. Plans daily works activities.
- ◆ Implements project design, construction and maintenance priorities toward achievement of departmental and organizational goals and objectives.
- ◆ Reviews plans and specifications for construction and maintenance projects. Inspects and monitors projects progress. Provides information and assistance as required.

- ◆ Coordinates and acts as City representative on special projects involving consulting service and contract construction. Provides bid recommendations.
- ◆ Directs and coordinates department assistance requested by other City departments or other governmental agencies.
- ◆ Prepares and manages department budget. Develops budget requests for construction and maintenance, materials, labor, and equipment needs for public works functions. Approves expenditures. Prepares cost estimates, recommendations and requests for authorization and funding.
- ◆ Prepares various reports and recommendations regarding public works matters. Researches and prepares reports as requested by the City Council and City Administrator. Prepares and presents regular reports to the City Council, City Administrator and other Boards, Commissions and government agencies regarding department activities.
- ◆ Identifies capital improvement projects for consideration. Develops cost estimates. Prepares proposed annual project schedules. Negotiates engineering service contracts. Coordinates program design and construction activities. Monitors project progress.
- ◆ Prepares plans and bid specifications. Participates in bid consideration process. Reviews bid documents and recommends bid awards to City Council.
- ◆ Participates as a member of City's planning staff in reviewing and recommending community development matters to the Plan Commission and City Council.
- ◆ Acts as department liaison with the City Council and the general public. Consults with City officials and staff regarding department activities and progress. Responds to inquiries and complaints from the City Administrator and the general public regarding public works activities.
- ◆ Manages sanitary sewer and water utility operations.
- ◆ Acts as weed commissioner.
- ◆ Attends and participates in budget conferences, City Council meetings, Park and Rec. committee, Del-Hart Commission and other meetings as required.
- ◆ Responds to employee grievances, interviews and hires and disciplines employees. Approves vacation and sick leave.
- ◆ Responds to claims against the City. Testifies in court and answers interrogatories.
- ◆ Maintains knowledge of current public works needs; administrative principles and techniques; personnel management techniques; and civil engineering techniques and principles.

- ◆ Completes annual inspection of all stormwater facilities in Delafield to review operation and maintenance needs for the stormwater management system and to insure compliance with originally approved construction plans.

Hiring this position will reduce, but will not entirely eliminate other city engineering expenses.

Finally, a few words about the city's General Fund balance. Good financial planning requires a "rainy day" fund. If the events of September 11, 2001 have taught us anything, they have taught us that we live in an uncertain world. What would happen if Delafield had a catastrophic event, such as a tornado? Do we have sufficient money in the bank to pay for an emergency response of any lasting duration? The answer is no. We can not run this organization out of a cigar box. Is a 25% reserve too high? Some say yes, some say no, but I'm not interested in answering that question for the 2002 budget. The budget recommends levying \$250,000 to be specifically deposited in the General Fund balance. At this annual contribution rate, it would take four years to achieve a 25% fund balance. In my mind, that gives the City Council four years to revisit whether 25% is the right amount. If the city's revenue sources were absolute, guaranteed, and certain, we could reduce the percentage. But because approximately 30% of our annual revenues come from uncertain sources, we are exposed to revenue collection risk. As a result, it is my recommendation that we work toward the 25% goal and maintain consistency with our prudent fiscal management strategy. Delafield is not a third world country and we should not run our government as if it is.

I encourage you to review the departmental budget materials following this summary. In addition, the Third Annual Five-Year Capital Improvements Program is offered for your consideration. The CIP illustrates the infrastructure investments planned for the community over the next five years. This planning document illustrates the spending plan for the year 2002, with a look into the next four years.

I would like to express my appreciation for the contributions of the Department Heads and Administrative Staff not only for their efforts in preparing the budget, but their dedication to providing top notch service throughout the entire year. I would also like to take this opportunity to thank those who participated in the third annual goals and priorities workshop earlier this year. Finally, I would like to express my appreciation for the quality community service provided by outgoing Mayor Ed McAleer. Winston Churchill said in a speech given in 1940, "I have nothing to offer but blood, toil, tears and sweat." I have seen all of these in Ed McAleer's commendable service during my short tenure in Delafield.

Thank you in advance for your thoughtful consideration of this budget.

Sincerely,

Matthew D. Carlson
City Administrator