



## MEMORANDUM

**To:** Mayor Toland and City Council Members  
**From:** Julie Bergstrom, Finance Director/Asst. City Administrator  
**Date:** November 20, 2013  
**Re:** 2014-2019 Fiscal Plan

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### **EXECUTIVE SUMMARY**

The City's first long range fiscal plan was drafted in 2011 and covered the years of 2011 through 2015. The administration work plan included an update to that plan, in order to provide financial planning guidance for the Council and administration. With the help of a fiscal plan, the Council can review the probable outcomes of actions that will financially affect the City, including capital projects, revenue increases or decreases, and the issuance of debt. This plan is a guide, and will change with each event that affects the various assumptions.

The fiscal plan is separated into two sections, the first which deals with the various financial policies, such as reserve balances, debt limits and operating ratios, with the forecasting models included in the second section. This plan includes only the funds that affect or are affected by the property tax levy or state revenues, i.e. General fund, Debt Service, Library and Capital funds. Other funds are deemed to be self-supporting and are not included at this time. Business plans are separately being developed for each of the self-supporting funds(Ambulance, Electric, Water, Sewer, Stormwater, etc.).

Results of the analysis can predict the level of property tax revenue needed to fund the operations in future years. The estimated property tax increase through the next 5 years is \$1.5 million, or an average of 6% per year over the 2014 levy. The net effect of this levy increase will be reduced by new construction and tax increment districts and is estimated at 3% per year. Based on the current levy limit law, increases related to debt service costs are not restricted, therefore the proposed plan will not exceed the levy caps, and will be significantly under the amount that could be levied for 2014. Future changes to the levy limit law will affect this estimate.

The City continues to realize growth, even through the economic downturn of the past five years. An estimated increase in assessed value of 2.0% is used in the 2014-2019 plan, which is the 5 year average increase from 2008 through 2012. An additional \$10 million in value has been added in 2015 which reflects the closing of tax increment district #4.

## **DISCUSSION**

The Government Finance Officers Association (GFOA) urges local governments to prepare long term financial plans, especially in light of the recent economic problems. The long term plans are needed to manage financial stress, improve or maintain bond ratings, reduce volatility in budgeting, and to establish the priorities of the organization. Using the information that was available in the 2013-2017 capital project plan and the 2014 budget, the financial model was updated for the period from 2014-2020, with the focus on the 2015 through 2019 fiscal years, as any information past that time frame will most likely change significantly.

The plan incorporates the existing financial goals and policies already in place. Policy statements included in the plan cover the requirements to prepare a balanced budget, comply with generally accepted accounting principles, and safeguard assets, among others. The financial goals include reviews of General fund revenue sources, such as fees and charges; maximum use of transfers from other funds; recommending a minimum of 5% of the total levy for capital improvements; maintaining 50% of General fund balances for reserves; and several specific goals related to debt. Some of these goals are not attainable each year, but will provide the guidance needed to achieve these goals in future years.

The forecasting section of the plan provides the analysis using the 2014 budget as a base, and projects out through 2019 based on certain assumptions. These assumptions are conservative, but can change significantly through legislation, changing goals of the Council, or by a change in the economy in general.

The following assumptions are utilized in the 2014-2019 forecast:

### **Revenues**

- Property tax levy for operations (excluding Library, debt and capital costs) of the General fund will increase an average of 9% per year from 2015 through 2019. This is in response to cuts in shared revenue and increased operating costs and helps to maintain existing services. The levy for the Library fund will increase by 4.5% average per year through 2019.
- State shared revenues were reduced in 2012 by 10%, or \$153,000. An additional 1% reduction is planned for each subsequent budget year.
- Transportation aids decreased by \$50,000 in 2012. No additional increases or reductions are reflected through 2019.
- Charges for services are not projected to increase in future years.
- Transfers from other funds will increase by 1% per year.
- Payment in lieu of property tax from the electric and water funds will increase by 1% per year.

## Expenditures

- No increase in staffing levels through 2019 beyond what is included in the 2014 budget.
- Salary cost increases of 2% per year.
- General employees will contribute 50% of pension costs, sworn police officers will pay a minimum of 4% of pension costs, which increases each year to the maximum of the amount that general employees pay.
- Health insurance costs will increase by 5% per year.
- General operating costs will increase by 1% per year.

## **SUMMARY**

Given these assumptions, the model for the budget years of 2014-2019 include the following results:

- Total property tax levy (operations, library capital and debt) increase an average of 6% per year. With estimated growth of 2% per year and the closing of tax increment district #4, the net increase to the levy is approximately 3% per year through 2019.
- Debt service levy remains stable at approximately 18% of the total levy
- Increase in Library budget of 5%, or 1% per year through 2019

These results will change with any variations to the assumptions or additional projects not included in the existing capital improvement plan. In order to be effective over the long term, this model is intended to be updated annually.

Please contact me if you have any questions or need additional information.



**RESOLUTION NO. 5773**

**RESOLUTION REGARDING 2014-2019 LONG RANGE FISCAL PLAN  
AND ADOPTION OF FINANCIAL GOALS AND POLICIES**

**WHEREAS**, the Government Finance Officers Association (GFOA) recommends long term financial planning as a best practice for municipalities; and

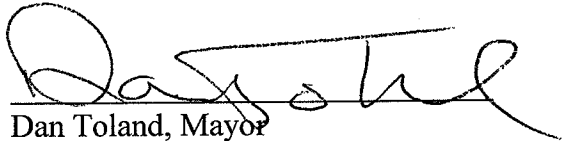
**WHEREAS**, the City last updated the financial plan in 2011 for the years 2011 through 2015:  
and

**WHEREAS**, it has become necessary to update the fiscal plan to incorporate the changes since 2011, and add projections for future years; and


**WHEREAS**, the fiscal plan also includes the City's financial goals, policies, and procedures, that are an integral part of the basis for the long range plan.

**NOW, THEREFORE, BE IT RESOLVED** that the Common Council of the City of River Falls hereby approves the Long Range Fiscal Plan for 2014 through 2019, and adopts the financial goals, policies and procedures included in the fiscal plan.

Dated this 26th day of November, 2013.

  
Dan Toland, Mayor

ATTEST:

  
Lu Ann Hecht, City Clerk



# City of River Falls

Long Range Fiscal Plan

2014-2019

# Table of Contents

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<b>Introduction</b> .....	3
Organizational Goals .....	3
About River Falls .....	4
<b>Long Range Fiscal Plan</b> .....	4
Economic Factors .....	5
Discussion of Revenue Results .....	6
Discussion of Expenditure Results .....	9
<b>Financial Calendar</b> .....	12
<b>Financial Goals and Policies</b> .....	12
General Financial Policies and Procedures .....	12
Operating Budget Policies and Procedures .....	13
<b>Operating Budget Financial Goals and Guidelines</b> .....	13
Mill Rate/Tax Level Policy Statement .....	13
General Fund Revenues from Own Sources .....	13
General Fund Revenues from Other Funds.....	14
<b>Capital Budget Policies and Procedures</b> .....	14
Operating Expenditures as a Percentage of Total Expenditures .....	14
<b>Reserve Policies and Procedures</b> .....	15
Unreserved General Fund Balance .....	15
Total General Fund Cash and Investments/Liability .....	15
<b>Debt Policies and Procedures</b> .....	15
Direct Long Term Debt Per Capita .....	16
Debt Service/Total Revenues .....	16
Debt Service Levy/Total Levy .....	16
Legal Debt Capacity .....	16
Industrial Development Bonds.....	17
<b>Appendix A-Fiscal Plan Schedules</b> .....	18-20

## Introduction

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The City of River Falls wishes to establish a long range financial plan which will provide tools to monitor the City's financial health. In conjunction with the City's annual budget process, various financial indicators are evaluated to determine whether the proposed budget meets the designated goals. The long term trends related to these goals will also be reviewed for areas of strengths and weaknesses. The forecast will enhance the budget process by providing assurance that the proposed budget will be fiscally feasible in future years.

Municipalities are often contending with a changing fiscal environment. Changes in state policies and the corresponding adjustments in either revenues or expenditures are challenges that will continue. The purpose of the long range fiscal plan is to forecast the most likely scenarios and use the forecasts to make necessary adjustments to maintain the financial health of the organization.

This plan includes financial projections for the current and upcoming five year period for the City as a whole, but focuses more heavily on the impacts related to property taxes and intergovernmental revenues. The emphasis is on the General Fund, Library Fund, Debt Service Funds and Capital Project Funds, which are most affected by adjustments related to State revenues and property taxes. For this analysis, fee-based revenue funds are assumed to be self-supporting and are not included in this fiscal plan.

The forecast methods include any information that may be available to predict the projected revenues and expenditures for the studied time frame. Information from long term trends, State agency information, consumer price indices and City Council policies will be used to prepare the projections. In general, the default method will use the most conservative revenue estimates in order to provide future flexibility.

The goal of this plan is to assemble the City's financial policies and fiscal plan in one document. With the input and review by the City Council, future budgets will be compiled to conform as much as possible with the plan document. Although unforeseen changes are inevitable, this plan provides a framework and reference for future decisions.

## Organization Goals

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1. Deliver quality, cost effective municipal services
2. Develop a high performance workforce
3. Promote economic vitality by supporting existing infrastructure and engaging in development activities that fit with the community's character.
4. Promote a positive image

### Key Strategies:

- Communicate effectively to a broad audience
- Engage the community in our work
- Seek partnerships
- Commit to Sustainability
- Consider our history and culture

## River Falls

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River Falls is located approximately 30 miles east of the Minneapolis- St. Paul. The City has an estimated year-round population of 15,040 and approximately 6,800 college students.

River Falls offers the best of Wisconsin in scenic beauty, seasonal entertainment and hometown charm. There are unlimited opportunities to explore nature at the numerous parks, campgrounds, walking and biking trails. River Falls is home to the Kinnickinnic River, a superb Class I trout stream, and six golf courses located within 15 minutes of the City. River Falls is also close to Willow River State Park and the St. Croix River.



River Falls values education and is home to the University of Wisconsin-River Falls and the Chippewa Valley Technical College. The River Falls Public School District consists of eight schools serving approximately 3,000 students.

The City has excellent health care services including the River Falls Area Hospital and Medical Clinic, and River Falls Area Ambulance Service. There are superb public facilities including a LEED certified City Hall, a public library which serves the City and surrounding community and modern schools. The City has two industrial parks that can offer sites for new construction or facilitate existing space needs. The vibrant downtown is promoted by the River Falls Chamber of Commerce and Business Improvement District Board.

## Long Range Fiscal Plan

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The financial projections included in this report are based on a number of factors and assumptions. Revenues are based on actual receipts as well as current knowledge of future payments. Expenditures are based on management's estimated costs. These assumptions can strongly influence the outcome of the projections, and must be closely analyzed to ensure accuracy.

The following assumptions are included in the study:

### Revenues

- Property tax levy for operations (excluding debt and capital costs) of the General fund will increase by an average of nine percent from 2015 through 2019.
- The levy for the Library fund will increase by an average of four percent over the same period. Increased revenues from county library reimbursements have supplemented the property tax levy to provide the necessary funding for library building maintenance projects scheduled in 2014 and 2016.



- Beginning in 2014, State shared revenues will likely decrease by one percent for each year. Expenditure restraint funding is included in 2014, but not in future years, as the funding is uncertain and may depend on the proposed budget increase or state funding for the program.
- Transportation aids will remain constant using the 2014 funding projections.
- Charges for service will increase one percent per year.
- Transfers from other funds will increase by one percent per year.
- Payment in lieu of property tax from the electric and water funds will remain constant using 2014 rates and values.

### Expenditures

- Staffing changes – No increase in staffing levels for included funds through 2019 over what is included in the 2014 budget.
- Budgeted totals for employee wages will increase two percent per year.
- Employees will continue to contribute 50 percent of pension costs; public safety employees will contribute at least four percent toward retirement contributions.
- Health insurance costs will increase by five percent per year.
- General operating costs will increase by one percent per year.

### Economic Factors

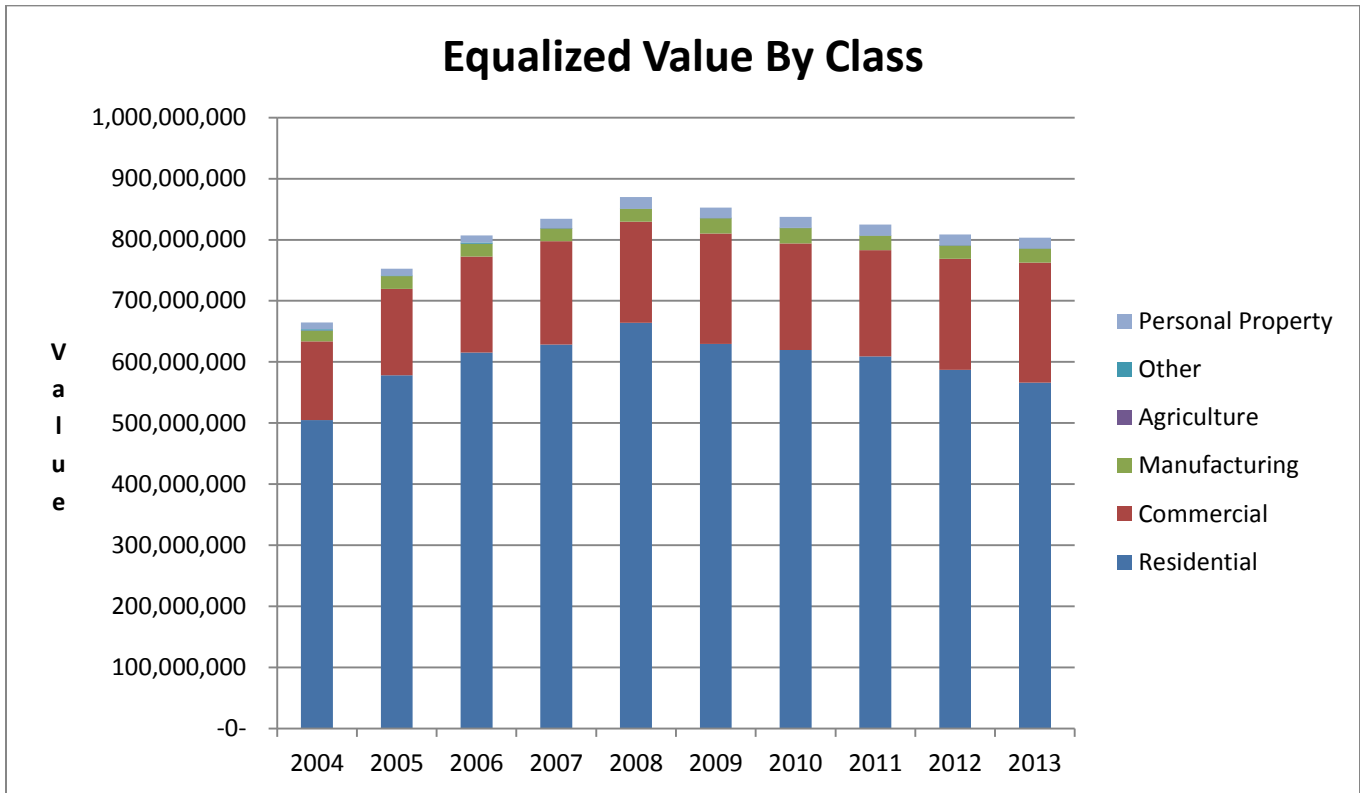
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The City of River Falls has historically benefitted from one to two percent growth in property values each year, and this is expected to continue. Much of this growth has been commercial and industrial, which results in higher property tax revenues without the increase in service costs generally needed by residential development. Through the end of September 2013, the City has issued 48 single family building permits, which indicates a renewed interest in new residential construction within the City.

The recent downturn in the economy has brought down the equalized (market) values within the City for the past several years. However, the decreases have been much lower than other municipalities in the area. Overall, the City's equalized value (market value) is down by 0.6 percent or \$5,070,600 for a total value of \$803,507,800. This reduction is correlated to the loss in market value in residential properties, which lost three percent in St. Croix County and four percent in Pierce County. There has been a significant increase in commercial values in the past year, with a five percent increase in existing properties and an additional two percent in new construction.

The area has seen an increase in net new construction for both counties with Pierce and St. Croix Counties realizing 2013 increases of 1.29 percent and 0.22 percent respectively.

The most recent citywide property assessment was done in 2005 at the height of the market. An assessment revaluation is planned in the next two years to bring the assessed values in line with market values.



**Unemployment rates in Pierce and St. Croix Counties**

Region	July 2013 Unemployment Rate	Rate One Year Ago
State of Wisconsin	6.8%	7.4%
Pierce	4.4%	5.6%
St. Croix	4.3%	5.8%

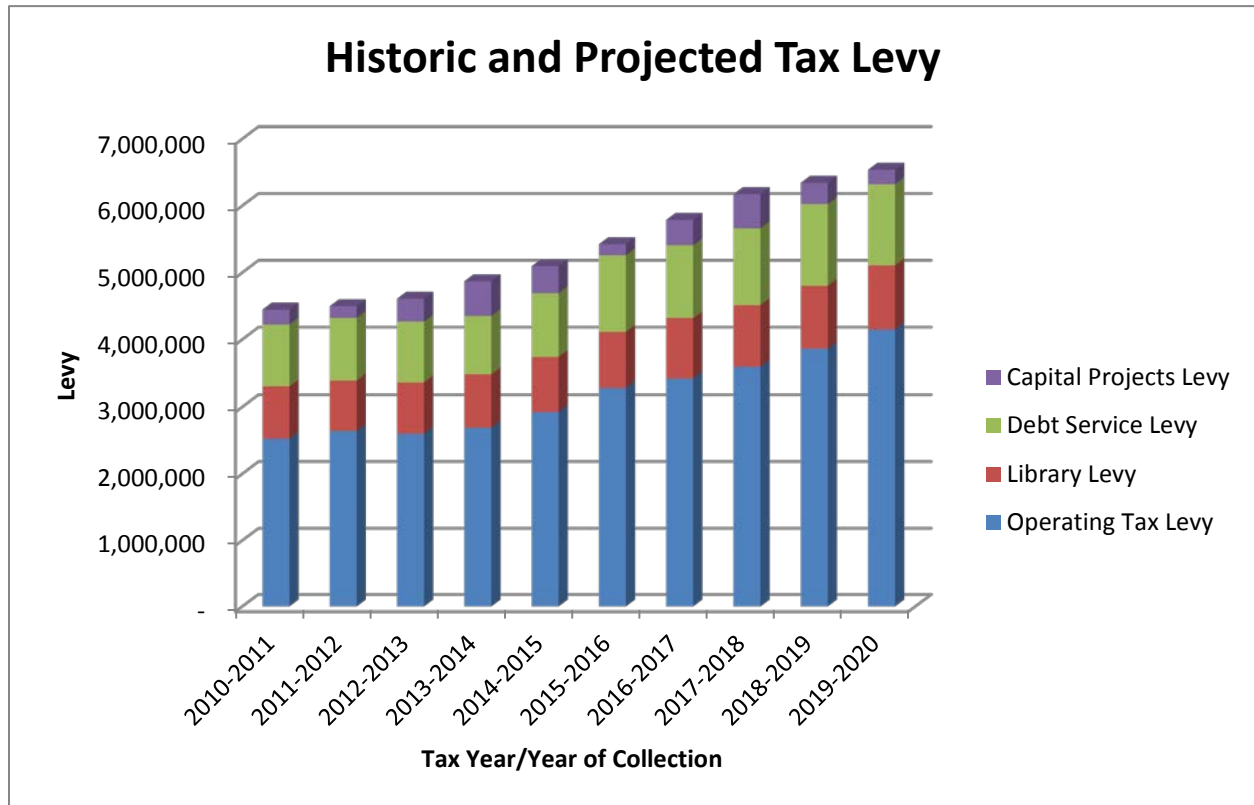
**Discussion of Revenue Results**

**Property Taxes**

The assessed value of the City as of January 1, 2013, was \$939,324,200, which is an increase of 0.8 percent over the previous year. Using historical data, the fiscal plan uses an assumption of two percent growth in assessed values from 2014 through 2019. The City’s tax increment district #4 will be terminated in 2015, for an additional \$10 million that has been added to the fiscal plan, as this additional assessed value will be available to all the taxing jurisdictions.

The result of the increases in the property tax levy, especially for operations, is the percentage of the total levy allocated to operations grows from the 58 percent in 2011 to 61 percent in 2019. This provides future funding (2020 and beyond) for additional programs and services. During the timeframe of the fiscal plan, the percentage levied for debt remains steady at approximately 18 percent.

The State of Wisconsin has imposed levy limits for municipalities that restricts the levy increase to zero percent plus net new construction. There is an adjustment made each year for debt service payments that are owed, which is an allowable increase to the levy. Since the levy limits were implemented, the City has levied well under the maximum allowed. The program provides for an allowance to recover a portion of the prior year's unused levy, but there is a punitive aspect that makes this option generally unacceptable. The proposed five year plan assumes that the current levy limit policy will remain in place as is, without further restrictions.



One benchmark that is used to compare property taxes between different communities is the property tax levy per capita. As mill rates change based on the level of assessed value, they are not the best indicator of the cost of providing services. However, the tax paid per capita is generally a number that can be used to judge Wisconsin cities of similar size.

Using the most recent figures available, the median property tax per capita for all Wisconsin cities is \$531. For cities in the population range of River Falls, the median is \$508. River Falls compares favorably at \$299 per capita for 2011, which is 58 percent of the median. With the levy increases included in the fiscal plan, the property tax levy per capita is estimated at \$435 in 2020, or still lower than that 2011 median for similarly sized cities.

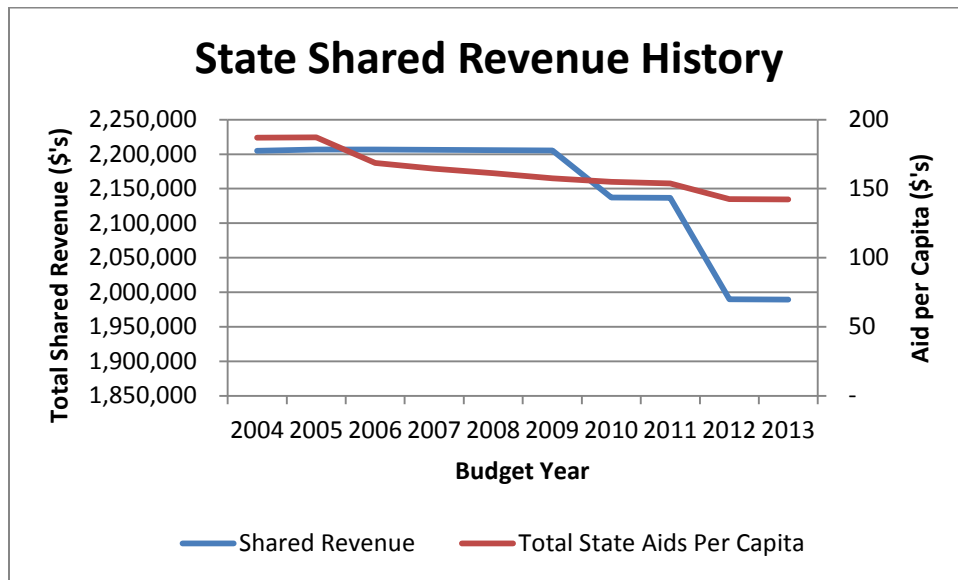
**Intergovernmental Revenues**

For the proposed 2014 budget, approximately 11 percent of the City’s annual revenues are received from other governments, including the State of Wisconsin, Pierce and St. Croix counties, area towns, and other municipalities.

The majority of the City’s intergovernmental revenue for the General fund is from the State of Wisconsin. State shared revenue has been declining since its peak in 2002, with program cuts of approximately \$200,000 made in 2012. The fiscal plan includes a minor continuation of these reductions, with a one percent reduction in shared revenues each year. This reduction will decrease shared revenue from 25 to 18 percent of total revenues by 2020. Reducing the City’s reliance on external revenue sources will provide additional stability, should additional major reductions to shared revenues occur in future years.

The City negotiated an agreement with the Wisconsin Department of Transportation in 2011 that provided a jurisdictional transfer payment of \$3.7 million distributed over four years. The final payment will be made in 2014 in the amount of \$979,139. The Cascade Avenue project completed in 2012 was completed with partial use of these funds. This amount is included in the 2014 capital project budget, but not included in future years.

The River Falls Public Library receives funding under the Act 150 program, which requires counties to pay a minimum of 70 percent funding of operating costs for local libraries. St. Croix County has increased their contribution to 100 percent of operating costs, for an additional \$20,000.



Transportation aids are generally \$475,000 per year to be used as the City sees fit for local road repairs. No changes to this program are included in the fiscal plan.

## Discussion of Expenditure Results

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This section presents forecasted expenditure results and identifies significant cost changes expected to occur in the General Fund over the forecasted period. The results summary is presented, followed by more detailed information for major expenditure categories.

The 2014 budget provides sufficient revenues to fund projected expenditures, resulting in a balanced budget. This model has been continued for the projected five-year period from 2015 through 2019.

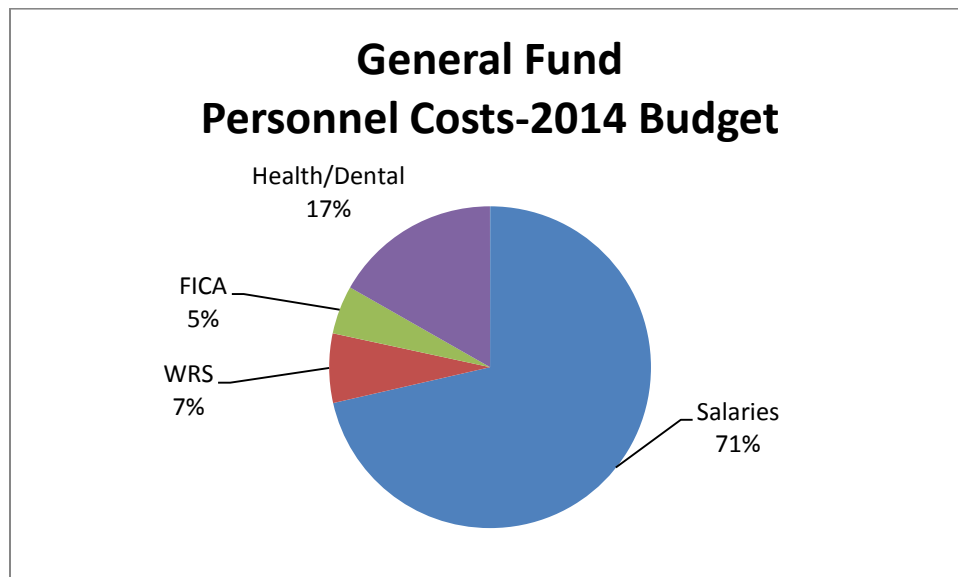
### Expenditure Classifications

Expenditures have been broken down into five major classifications: personal services, supplies/other operating costs, street maintenance, debt service and transfers to other funds. Additional discussion of selected expenditure category projections and changes expected to occur over the forecast period are provided in this section.

#### Personal Services

Personnel costs are by far the largest expenditure classification within the General Fund, representing 65 percent of the 2014 budget. Most of these costs in the General Fund are for full time personnel, with the remainder being election workers, seasonal and elected and appointed board members. All employee benefits, including Social Security and Medicare, retirement contributions, health, life and dental insurance, etc., are included in Personal Services. The City provides a fully insured medical plan for eligible employees. An annual escalator of ten percent has been included in the plan projections for future year premium costs, as well as two percent per year for wage increases.

Employees are sharing in the cost of Wisconsin Retirement System contributions, with general employees paying 50 percent of the required contribution, and public safety employees paying a minimum of four percent. No increase in the WRS contribution has been included in the projections.



### Other Operating Expenditures

Included in this category are operating supplies, and the non-personnel, non-capital support costs associated with General fund operations. This category is the second largest classification of General fund expenditures and includes utilities, insurance, information services, motor pool charges, maintenance, and contract services associated with General fund operations. The total other operating expenditures is projected to increase by two percent in 2014 over the 2013 budget. Also included in this category are the operating supplies for general government. These include office supplies, fuel, uniforms, janitorial supplies, street and traffic signs, chemical, medical, and other supplies. The plan includes annual increases in operating costs of one percent per year through 2019.

### Street Maintenance

The annual street maintenance budget is projected at \$420,322 and is funded primarily by state transportation aids. This is a two percent increase from the 2013 budget. Street maintenance projects include mill and overlay projects, curb and gutter repair, contracted patching and pavement marking, as well as supplies for general street maintenance. The plan assumes an increase in the street maintenance spending of two percent per year.

### Debt Service

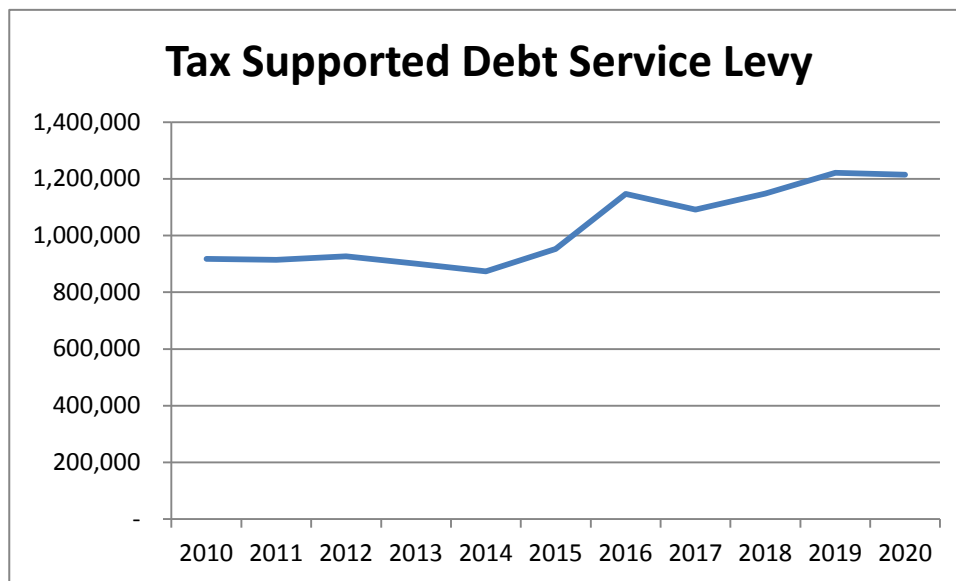
The City currently holds a rating of Aa2 from Moody's Investors Service for general obligation debt issued by the City. Water revenue debt is rated Aa3, sewer and electric revenue debt are rated A1. The ability to maintain and protect the City's ratings is of primary importance, and will be aided by the fiscal plan.

Debt service costs include principal and interest payments for tax supported debt both existing and planned. Debt payments made from non-tax revenues, such as the utility and storm water funds, are not included in the fiscal plan projections. Several capital projects are planned to be funded with debt within the next five years, including the following:

Year	Project	Amount	Year	Project	Amount
2013	Radio Road	\$1,000,000	2017	'99 Loader	\$260,000
2014	Fire Engine #6	\$500,000	2017	'01 6 Yard Dump Truck	\$185,000
2014	Sterling Ponds	\$3,000,000	2018	'10 Elgin Sweeper	\$154,000
2015	Chapman Dr.	\$680,000	2019	Fire Engine #7	\$600,000
2016	Flatbed Truck	\$94,000			

As the projects progress through research and analysis, some might be delayed or reduced in scope. Most of the City's general obligation debt is repaid within ten years, and equipment is generally paid within five years. Although the debt service levy increases in the fiscal plan, the percentage of the total levy is reduced to less than 20 percent which is one of the established financial goals.

The Sterling Ponds Corporate Park has been included in the debt service levy projections due to the time delay in receiving tax increment revenues from new development within the park. It is very possible that increment could be received in 2016 that would cover a portion of the debt service costs currently included in tax levy.



### Transfers to Other Funds

The General fund makes certain annual transfers to other funds for various purposes. These transfers are adjusted annually through the budget process, and may vary significantly from year to year. For purposes of this plan, transfers are held at current levels through 2019. The following transfers are included in the fiscal plan:

**Transfer to Taxi Fund** - Annual transfer for local share of shared-ride taxi service. Other funding from Federal and State grants, fare revenues and Pierce and St. Croix Counties provides the revenue necessary to service the 25,000 annual trips. Plan includes proposed amount of \$45,000 per year as a transfer from the General Fund.

**Transfer to Media Services Fund** - Allocation of services provided to the General fund by the cable studio, including taping, production and airing of City Council meetings, Plan Commission meetings, River Falls in Focus and other programs of interest. Plan includes proposed amount of \$20,000 per year.

**Transfer to Ambulance Fund** – Annual transfer of per capita costs as determined by the budget process. This per capita charge, currently \$9.00 per person, is also paid by the surrounding towns that contract for services with the River Falls Ambulance. Plan includes proposed amount of \$135,360 as a transfer from the General Fund in 2014, with a reduction of \$45,000 in 2015 and 2016. This revenue is expected to be replaced by increased contract and billing rates.

**Transfer to City Hall Fund** – Annual transfer based on the allocation of operating costs for General fund operations. Plan includes proposed amount of \$120,641 per year.

**Transfer to Technology Fund** – Annual transfer to allocate hardware, software and office equipment and other technology costs to the end users. The fiscal plan includes a transfer of \$138,174 each year to fund these costs.

**Transfer to Motor Pool Fund** – The City has purchased motor pool vehicles through a capital lease-purchase with Enterprise Rentals. This transfer accounts for the annual usage of motor pool vehicles from the General fund, and is based on actual usage.

## Financial Calendar

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<b>January-March</b> .....	Update projected Five Year Financial Plan (Finance Department)
<b>April-May</b>	Council workshop for updated five year CIP if necessary (Administrator, Department Heads, Finance Director)
<b>April-May</b> .....	Update personnel budgets (Finance and HR Departments)
<b>May</b> .....	Distribute departmental worksheets, update financial plan from trends report (Finance Department)
<b>Mid-June</b> .....	Submit proposed budgets (Department Heads)
<b>June-July</b> .....	Draft budget prepared for internal review (Finance Department)
<b>August</b> .....	Meet with Fire budget committee (Fire budget members)
<b>August</b> .....	Finalize proposed budget, prepare debt service schedules (Finance Department)
<b>September</b> .....	Council workshops on budget (Council, Administrator, Finance Director)
<b>October</b> .....	Set public hearing date and publish notice
<b>November</b> .....	Public hearing and final budget approval
<b>November-December</b> .....	Update financial plan with final budget numbers (Finance Department)

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## Financial Goals and Policies

The City of River Falls' financial policies set forth the framework for the fiscal management of the City. These policies assist with decision making processes and provide guidelines for evaluating current activities and future projects.

### General Financial Policies and Procedures

1. The City will comply with generally accepted accounting principles in its accounting and financial reporting, as contained in the following publications:
  - a) Codification of Governmental Accounting and Financial Reporting Standards, issued by the Government Advisory Standards Board (GASB)
  - b) Governmental Accounting, Auditing the Financial Reporting (GAAFR), issued by the Government Finance Officers Association (GFOA) of the United States and Canada.
  - c) Uniform Chart of Accounts for Wisconsin Municipalities
2. Monthly financial data will be made available electronically to all City department heads allowing them to review financial activity and compare actual revenues and expenditures with budgeted amounts.
3. A comprehensive financial audit, including an audit of federal grants if necessary, according to the U.S. Office of Management and Budget Circular A-133 will be performed annually by an independent public accounting firm. The independent public accounting firm will express an opinion on the City's financial statements.



4. A system of internal accounting controls will be maintained to adequately safeguard assets and provide reasonable assurance of property recording of financial transactions of the City. Internal controls will be reviewed at least annually.

### Operating Budget Policies and Procedures

1. The City will prepare an annual budget for all operating funds.
2. The City will maintain a budgetary control system to ensure adherence to the budget, including periodic reports.
3. The City will integrate performance standards into the operating budget.
4. A contingency account will be maintained in the annual operating budget to provide for unanticipated expenditures of a non-recurring nature. Transfers from the contingency account will require City Council approval.
5. Operating budgets are established at the function and fund level. Transfers within functions in the same fund may be approved by the City Administrator; transfers between functions or between funds require City Council approval. Budget adjustment between function or fund require a Class 1 Notice within 10 days of approval per WI Stats. 65.90(5)(a).

### Operating Budget Financial Goals and Guidelines

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The City Council has approved financial goals and guidelines in preparing the annual operating budgets. The following measurements will be used as a guide in the preparation of the annual budget.

#### Mill Rate/Tax Level Policy Statement

Individual property taxes are determined by several factors, including mill rate, property valuation, total city valuation, taxing jurisdiction levies, and spending levels. While goals can be set for each factor, the City Council is limited to control or influence over a portion of the property tax, approximately 25 percent. It is therefore, the City's policy to set targets for the City mill rate and estimated taxes on a median valued home.

#### Implementation

The City's gross mill rate for the upcoming budget year will be segregated into general operations, library operations, debt service and capital outlay segments. The debt service portion of the mill rate will be based on actual levy requirements as needed. The general operation, library operation and capital outlay portions of the levy will be relate as closely as possible to the five year fiscal plan.

#### General Fund Revenues from Own Sources Policy Statement

The City wishes to minimize its dependence on revenues not controlled by the City; therefore, a long-term goal is to increase General Fund revenues from City controlled sources.

#### Implementation

The State of Wisconsin currently provides 32 percent of the budgeted annual revenues to the City's General Fund. Federal, county, towns and the school district contribute four percent. By increasing City non-tax revenues, such as user fees and reimbursements, the City's dependence on State and Federal dollars will be minimized.

#### General Fund Sources from Other Funds Policy Statement

The City will not rely on transfers from other funds to finance the general operations of the General Fund, although fees for financial and general administration will be charged to the appropriate funds. Total transfers from other funds excluding payment in lieu of taxes and repayments of advances, will not exceed 25 percent of General Fund revenues.

#### Implementation

An administration fee will be charged to funds to reimburse the General Fund for administration and financial services. Engineering services used by the Capital Projects funds will pay an annual percentage of 12 percent to the General Fund on the estimated project costs. Administration and human resources functions will be allocated based on the actual costs to the benefitting departments. Media Services will be allocated to funds based on the current cost of services and usage.

## **Capital Budget Policies and Procedures**

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The City will develop a five year capital improvement plan, which will be reviewed and updated at least biannually.

Property tax levies and debt service requirement associated with capital projects will be included in the City's proposed budget and financial projections.

#### Operating Expenditures as a Percentage of Total Expenditures Policy Statement

The City wishes to maintain its infrastructure by balancing its capital costs with its operating costs. The City will set a minimum of five percent of its levy toward capital improvements.

#### Implementation

The City will estimate its annual budget for operating expenditures, including proposed increases, and recommend that the property tax levy for capital outlay be equal to at least five percent of the total levy. This ratio will be computed using a three year rolling average of the prior year actual expenditures, a current year budgeted and the future year as projected.

## Reserve Policies and Procedures

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The City will establish a contingency expenditure appropriation in the annual General fund operating budget to provide for unanticipated expenditures of a non-recurring nature. This contingency will be equal to .5 percent of the General Fund budget. This appropriation, if unused, will be considered part of the City's unreserved, undesignated fund balance.

The City will maintain a working capital reserve of 50 percent of the General Fund operating budget to provide funds for reasonable cash flow needs. This reserve will also be used when the City encounters unforeseen emergencies such as storms, floods, severe unexpected increases in service costs or decrease in revenue, or other situations that are determined to be an emergency by the City Council.

Debt service reserves will be established as required by bond ordinances, or as needed to minimally

Reserves in other funds will be maintained at levels to cover annual operating costs, or to provide for future capital costs. Deficit balances due to unforeseen circumstances will be addressed during the budget process.

### Unreserved General Fund Balance

The City Council has established a General fund unassigned fund balance goal of 50 percent of total annual General fund expenditures. Any projected surplus over 50 percent will be available for use by the City as determined in the budget process, generally for one time projects or debt reduction.

### Implementation

At the end of December 2012, General fund unassigned fund balances were \$4.7 million, or 55 percent of the 2013 budget. The City also has advanced \$1.9 million to other funds, which, when repaid, will be available.

### Total General Fund Cash and Investments/Liabilities

The goal of the City is to keep sufficient cash and short-term investments available to meet short-term liabilities. The ratio of 2 to 1 is preferred.

### Implementation

This ratio will fluctuate during the year; however, it is the goal of the City to maintain a 2 to 1 ratio as an average. This will be measured by the average as of December 31 of each year. Cash and liquid investments, including those available within 30 days, will be used, as well as the liabilities payable less deferred revenues within 30 days of the end of the year.

## Debt Policies and Procedures

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The City of River Falls will maintain a high credit rating in the financial community to assure the community that the government is well-managed and financial sound and to obtain reduced borrowing costs.

1. The City will consider available financing tools for funding projects including inter-fund borrowing, use of fund reserves, State of Wisconsin Trust Fund loan program, external financing and lease-purchasing.
2. The City will use “pay as you go” financing to fund general capital projects whenever feasible.
3. When bonds or promissory notes are the desired financing vehicle, the issue will be bid competitively.
4. Annual debt service expenditures for all tax supported debt as a percentage of annual governmental fund revenues will be capped at ten percent.
5. Total tax supported debt will not exceed two percent of the equalized value of the City.
6. Debt service reserves will be funded to adequately meet debt service requirements as required.
7. The term of the financing will not exceed the useful life of the capital project, facility or equipment financed.
8. The City shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for debt issues, and with all Securities and Exchange Commission requirements for continuing disclosure.

#### Direct Long-Term General Obligation Debt Per Capita

The goal of the City Council is to maintain a per capita general obligation debt ratio in the range of \$500 to \$700 per person. Sustaining this ratio will insure that adequate resources are available to repay outstanding long-term debt.

#### Implementation

This ratio is measured by total outstanding general obligation long-term debt as of December 31 of each year, compared to the most recent population estimate for River Falls. In planning capital projects and proposed financing, the effect on this ratio should be considered. General obligation debt supported by funds other than general obligation property tax revenues will not be included in this ratio.

#### Debt Service/Total Revenues

The goal of the City is to not exceed a maximum ten percent ratio of property tax supported debt service costs to total governmental fund revenues. This will ensure that the City maintains its ability to repay outstanding debts.

#### Implementation

This ratio will be measured by annual property tax supported debt service cost in relation to annual revenues for all governmental funds. A maximum ratio of ten percent is desired, and future borrowing will be structured to maintain this ratio. General obligation debt supported by funds other than general property tax revenues will be not be included in this ratio.

#### Debt Service Levy/Total Levy

The City wishes to maintain its flexibility in annual budgeting by limiting its annual debt service costs to 20 percent of total property tax levy.

#### Implementation

Currently, the City maintains approximately 20 percent of the annual levy for debt service. Through proper planning for capital outlay and general operating expenditures, this ratio can be improved over time.

### Legal Debt Capacity

The State of Wisconsin places a legal debt limit on cities of no more than five percent of the equalized value within the City. The City wishes to maintain a ratio of not more than 50 percent of the legal debt limit.

### Implementation

Outstanding general obligation debt for the City at the end of 2012 was 44 percent of the legal debt limit.

### **Industrial Development Revenue Bonds**

Industrial development revenue bonds (IDRB) are securities issued by the City of River Falls, providing long-term, below-market rate financing of capital requirements for new and expanding industrial and commercial facilities. Minimum bond amount is \$3 million, and maximum bond is \$10 million per borrower. The borrower is solely responsible for principal and interest repayment.

Because the interest on IDRB's is exempt from federal tax, the interest rate on this type of financing is generally lower than conventional debt financing. Proceeds from the IDRB may be used to finance fixed assets and qualified costs associated with the bond-financed projects.

The City has three outstanding IDRB issues with a balance of \$7,025,000 as of December 31, 2012.

Any questions regarding the long range fiscal plan can be directed to Julie Bergstrom, Finance Director/Assistant City Administrator by either email [jbergstrom@rfcity.org](mailto:jbergstrom@rfcity.org), or by phone (715) 426-3416.

Appendix A

CITY OF RIVER FALLS  
2014-2019 Fiscal Plan Summary

	Actual <u>2011</u>	Actual <u>2012</u>	Budgeted <u>2013</u>	Budgeted <u>2014</u>	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
General Fund Expenditures	8,312,553	8,208,740	8,560,825	8,983,101	9,349,734	9,493,139	9,637,453	9,802,930	10,075,026
GF Levy (includes GF DS)	2,522,867	2,640,210	2,597,962	2,728,869	2,965,753	3,327,033	3,472,911	3,639,573	3,912,478
Library Operating Levy	785,778	753,156	767,306	788,603	815,983	830,419	890,824	922,803	956,489
DS Levy-Existing	914,294	926,444	901,137	873,881	840,482	810,191	735,216	615,921	725,259
DS Levy-2014+		-	-	-	112,221	336,088	356,394	532,279	496,487
Capital Projects Levy	<u>222,683</u>	<u>176,899</u>	<u>342,659</u>	<u>518,805</u>	<u>403,040</u>	<u>164,500</u>	<u>379,150</u>	<u>511,445</u>	<u>319,000</u>
		4,496,709	4,609,064	4,910,158	5,137,479	5,468,231	5,834,495	6,222,021	6,409,713
General Fund Operating Levy	2,522,867	2,640,210	2,597,962	2,728,869	2,965,753	3,327,033	3,472,911	3,639,573	3,912,478
Library Levy	785,778	753,156	767,306	788,603	815,983	830,419	890,824	922,803	956,489
Debt Service Levy	914,294	926,444	901,137	873,881	952,703	1,146,279	1,091,610	1,148,200	1,221,746
Capital Projects Levy	<u>222,683</u>	<u>176,899</u>	<u>342,659</u>	<u>518,805</u>	<u>403,040</u>	<u>164,500</u>	<u>379,150</u>	<u>511,445</u>	<u>319,000</u>
Total Levy	4,445,622	4,496,709	4,609,064	4,910,158	5,137,479	5,468,231	5,834,495	6,222,021	6,409,713
Total Levy Increase	74,382	51,087	112,355	301,094	227,321	330,752	366,264	387,526	187,692
Levy Increase %	1.70%	1.15%	2.50%	6.53%	4.63%	6.44%	6.70%	6.64%	3.02%
Assessed Values	899,359,200	924,529,800	931,957,800	938,063,400	956,824,668	986,161,161	1,005,884,385	1,026,002,072	1,046,522,114
Levy from growth	64,254	125,851	37,031	32,168	102,750	167,657	116,690	124,440	128,194
Net Levy increase exc. Growth	10,128	(74,764)	75,324	268,926	124,571	163,095	249,574	263,086	59,497
Net % Increase	0.23%	-1.68%	1.68%	5.83%	2.54%	3.17%	4.56%	4.51%	0.96%
<b>Projects included in CIP</b>									
Proposed Levy for Projects	-	-	-	130,926	92,340	50,000	276,150	397,945	120,000
Proposed Levy for Vehicles	-	-	-	387,879	310,700	114,500	103,000	113,500	199,000
	-	-	-	518,805	403,040	164,500	379,150	511,445	319,000
General Fund Balance	6,362,614	6,663,158	6,663,158	6,663,158	6,663,158	6,663,158	6,663,158	6,663,158	6,663,158
Unassigned Fund Balance	4,999,988	4,677,566	4,677,566	4,677,566	4,677,566	4,677,566	4,677,566	4,677,566	4,677,566
Target Fund Balance (50%)	4,156,277	4,104,370	4,280,413	4,491,551	4,674,867	4,746,570	4,818,727	4,901,465	5,037,513

## Appendix A

CITY OF RIVER FALLS  
2014-2019 Fiscal Plan-General Fund Detail

	2012	2013	2014	2015	2016	2017	2018	2019
<u>General Fund Expenditures</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Salaries (110-112)	3,177,822	3,356,756	3,490,414	3,560,222	3,631,427	3,704,055	3,778,136	3,853,699
Other Salaries (120-160)	691,053	659,405	640,653	643,856	647,076	650,311	653,562	656,830
WRS (210)	402,891	310,755	404,616	412,708	420,962	429,382	437,969	446,729
FICA (220)	251,357	278,041	280,551	283,357	286,190	289,052	291,942	294,862
Health/Dental/Life (230)	786,588	965,445	973,602	1,119,642	1,231,607	1,354,767	1,490,244	1,639,268
Operating (300-399)	1,369,992	1,984,085	2,106,273	2,277,336	2,300,109	2,323,110	2,346,341	2,369,805
Street Maint. (357)	366,869	412,080	420,322	428,728	437,303	446,049	454,970	464,069
Uncollectible	6,241	3,000	6,500	3,000	3,000	3,000	3,000	3,000
Debt Service-Existing	170,391	161,595	148,406	184,120	143,702	90,963	-	-
Sinking fund	-	30,000	30,000	-	-	-	-	-
Transfers Out	984,530	399,663	481,764	436,764	391,764	346,764	346,764	346,764
	<u>8,207,734</u>	<u>8,560,825</u>	<u>8,983,101</u>	<u>9,349,734</u>	<u>9,493,139</u>	<u>9,637,453</u>	<u>9,802,930</u>	<u>10,075,026</u>
			-					
<u>General Fund Revenues</u>								
Property taxes	2,643,471	2,597,962	2,728,869	2,965,753	3,327,033	3,472,911	3,639,573	3,912,478
Other taxes	83,819	92,038	81,500	81,500	81,500	81,500	81,500	81,500
Shared Revenue	1,993,827	1,973,889	2,009,544	1,989,449	1,969,554	1,949,859	1,930,360	1,911,056
Other State/Local Funding	1,085,867	1,078,732	1,085,312	1,085,312	1,085,312	1,085,312	1,085,312	1,085,312
Licenses/Permits/Fines	292,111	327,500	328,000	328,000	328,000	328,000	328,000	328,000
Charges for Services	231,053	247,500	249,000	249,000	249,000	249,000	249,000	249,000
Special Assessments	8,252	-	-	-	-	-	-	-
Interest - \$3,500,000	84,738	95,000	100,000	100,000	100,000	100,000	100,000	100,000
Interest-TID #4	200,000	200,000	200,000	175,000				
Interest-TID #5	-	-	-	-	200,000	200,000	200,000	200,000
Misc. Revenues	296,194	223,670	286,275	286,275	286,275	286,275	286,275	286,275
Transfer from Utility	815,846	1,005,678	1,149,031	1,360,521	1,374,127	1,387,868	1,401,746	1,415,764
Transfer from TID #4	34,389	32,289	10,767	44,260	-	-	-	-
Transfer from TID #5	288,135	296,170	324,443	250,000	53,329	53,329	53,329	53,329
Unassigned Fund Balance	<u>451,580</u>	<u>390,397</u>	<u>430,360</u>	<u>434,664</u>	<u>439,010</u>	<u>443,400</u>	<u>447,834</u>	<u>452,313</u>
Target Fund Balance (50%)	8,509,282	8,560,825	8,983,101	9,349,733	9,493,140	9,637,454	9,802,930	10,075,027
Surplus (Deficit)	301,548	-	-	(0)	0	0	(0)	0

## Appendix A

CITY OF RIVER FALLS  
2014-2019 Fiscal Plan -Library Fund Detail

	2011	2013	2014	2015	2016	2017	2018	2019
<u>Library Fund Expenditures</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Salaries (110-112)	520,428	540,349	535,005	545,705	556,619	567,752	579,107	590,689
Other Salaries (120-160)	15,009	13,821	12,600	12,600	12,600	12,600	12,600	12,600
WRS (210)	52,239	35,692	36,395	38,199	38,963	39,743	40,537	41,348
FICA (220)	38,395	39,153	40,490	41,746	42,581	43,433	44,302	45,188
Health/Dental/Life (230)	79,633	105,050	100,412	115,474	127,021	139,723	153,696	169,065
Operating (300-399)	301,107	333,000	357,665	361,242	364,854	368,503	372,188	375,910
Street Maint. (357)	-	-	-	-	-	-	-	-
Uncollectible	-	-	-	-	-	-	-	-
Sinking Fund	-	53,173	-	12,514	-	30,000	30,000	30,000
Capital Outlay	-	-	127,779	-	100,000	-	-	-
Transfers Out	111,730	109,759	126,486	127,751	129,028	130,319	131,622	132,938
	<u>1,118,541</u>	<u>1,229,997</u>	<u>1,336,832</u>	<u>1,255,231</u>	<u>1,371,668</u>	<u>1,332,072</u>	<u>1,364,051</u>	<u>1,397,737</u>
<u>Library Revenues</u>								
Property taxes	785,778	767,306	788,603	815,983	830,419	890,824	922,803	956,489
Other State/Local Funding	332,132	353,531	352,213	352,213	352,213	352,213	352,213	352,213
Charges for Services	43,408	42,498	45,000	45,000	45,000	45,000	45,000	45,000
Interest - \$100,000	508	2,000	1,000	1,000	3,000	3,000	3,000	3,000
Misc. Revenues	19,478	24,206	41,035	41,035	41,035	41,035	41,035	41,035
Fund Balance Applied	-	44,760	108,981	-	100,000	-	-	-
	<u>1,181,304</u>	<u>1,234,301</u>	<u>1,336,832</u>	<u>1,255,231</u>	<u>1,371,667</u>	<u>1,332,072</u>	<u>1,364,051</u>	<u>1,397,737</u>
Surplus (deficit)	62,763	4,304	0	(0)	(0)	0	0	(0)
CIP Projects	0	5,000	127,779	0	100,000	0	0	0
Fund Balance-1/1/10 \$100,000	184,530	200,124	91,143	103,657	103,657	133,657	163,657	193,657