



Finance Department 2018 Annual Report

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Department Responsibilities

The Finance Department is responsible for providing financial management activities for all City operations, including:

- ensuring that bills incurred by the various departments are paid efficiently and in accordance with City policies
- collecting, depositing, recording, and investing cash receipts, including property taxes
- billing utility and other customers and pursuing collection activities when needed
- making sure payroll and all the associated employer related payments are paid accurately and on time
- coordinating the annual ten year capital improvement plan and operating budget processes
- monitoring debt issuance, payments, and continuing disclosure requirements
- participating in development discussions and monitoring tax incremental district requirements
- reporting to departments, elected officials, citizens, and other interested parties about the financial status of the City

Special Projects

TID Creations/Amendments: There were three TIDs created plus two TIDs amended in 2018. The project plan of TID 4 was amended to add additional costs related to railroad crossings and a left turn lane off of Fish Hatchery Road. The boundary was not amended. TID 10 was amended to expand the boundaries and amend the project plan to include additional development incentives and construction and consulting costs related to the North Fish Hatchery Road reconstruction project. A project specific TID 11 was created for a live/work project and TID 12 for a new Promega facility. An area-wide TID 13 was also created for the Uptown area.

New Purchasing Card Vendor: The consortium that coordinated the old purchasing card system elected to disband their separate contract and instead move to state contract, which had a higher rebate potential. We also made the transition, which involved updating procedure manuals, issuing new cards, and developing new processes for the new software. The rebates are also paid monthly, rather than annually, so the rebate revenue for 2018 is higher than prior years.

Sewer Utility Rate Study: Each year the sewer rates increase based on the costs passed-through from Madison Metro Sewage District (MMSD); however, an analysis had not been completed since 2009 to ensure that the City's internal costs are recovered through the rates. A rate study was completed in 2018 and a rate increase of 13%, or \$6.26/quarter for the average homeowner, was approved and implemented effective April 1, 2018.

Refinancing of the 2010B Build America Bonds: The 2010 Build America Bonds (BAB) were taxable debt issuances with a subsidy payment from the Federal government to reduce the City's overall cost. The subsidy has decreased over the past few years and made the debt callable (able to be prepaid or refinanced). After analysis, and based on the size of the other projects to be financed, it was determined that a refinancing of the bonds was financially advantageous in 2018. This strategy saved the City \$178,000 over the remaining life of the bonds (present value of \$84,000).

Prepayment of 2009 and 2010 External Debt: When a large deferred special assessment was paid in 2018, we evaluated options for the best use of the unexpected funding. In consultation with the City's financial advisor, it was decided to apply the funds, along with a fund balance accumulated in the debt service fund, to prepay the full amount outstanding from both the 2009 and un-refinanced 2010 external debt issuance. This strategy significantly reduced the cost of interest in future years and is expected to be viewed positively by the credit rating agency as it reduces the City's overall debt burden.

Compile and Analyze Town of Madison Impact: Under the existing agreement, the Town of Madison will dissolve and a portion of the land will become a part of the City of Fitchburg effective October 2022. This increase in land area and population will require significant investment in both capital and operating. In 2018, data was compiled to get a better picture of the total estimated cost of the absorption. While the data is still in draft form and will need to be continually refined, it provided a start to an important conversation.

Process/Documentation Improvements

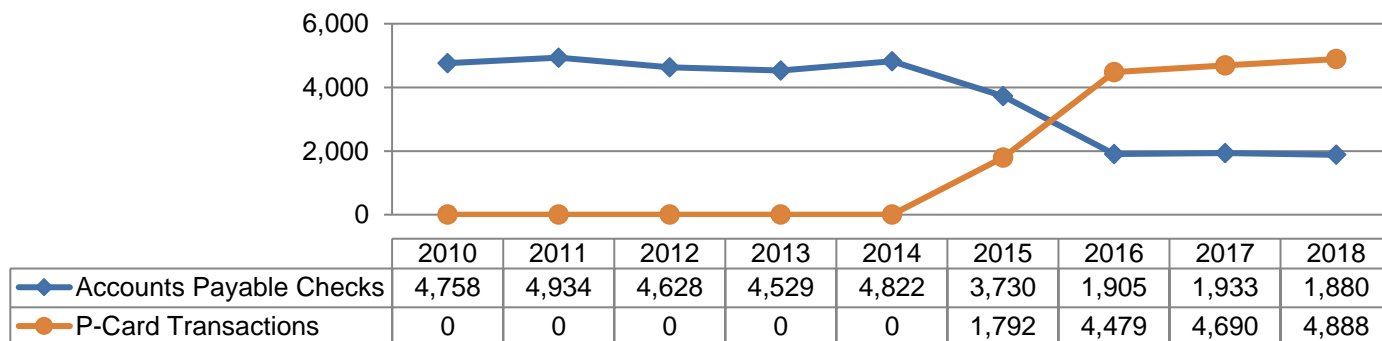
The Finance Department is always looking for ways to be more efficient and/or effective. During the year the quest to continue modernizing the finance processes continued. Following are some examples of process improvements implemented during the year:

- Electronic Workflow Implementation:** New electronic workflow processes were implemented for pre-approvals and payment requests. These projects improve efficiency for both transfer and retention of information. It also reduces errors by importing information into the accounting software, rather than manually re-keying data.
- Timekeeping Implementation and Payroll Transition:** At the end of 2017, a vendor was selected for a timekeeping system. The City also elected to transition to the related payroll system to ensure a seamless transition of information from timekeeping to payroll. While the implementation has been challenging for the payroll office, the new software has proven to be an improvement for the employees and managers with streamlined approval processes and access to additional functionality.
- Internal Control Review of Parks and Recreation Cash Collection:** The cash collection process for most City departments is decentralized. In 2018, we engaged an auditing firm to provide a report of recommendations to improve our internal controls in the park and recreation department. The implementation of the recommendations is continuing into 2019 but has already improved segregation of duties, monitoring controls, and physical security.
- New Park Fee Fund:** Act 243, also known as the Developer Bill, was adopted in 2018 and created new reporting and refund requirements for park fees collected after the effective date. A new fund was created to better track the fees collected by development and better monitor the spending requirements.

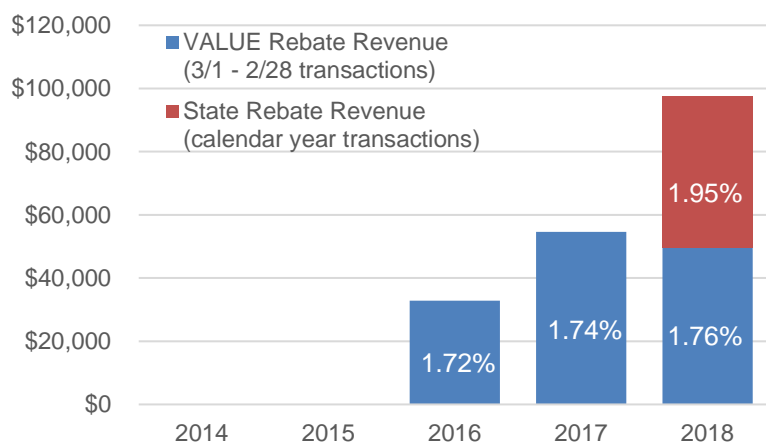
Vendor Payments

Over the past nine years, the volume of transactions has been relatively stable, with a few exceptions.

Payments to Vendors



Purchasing Card Rebate Revenue



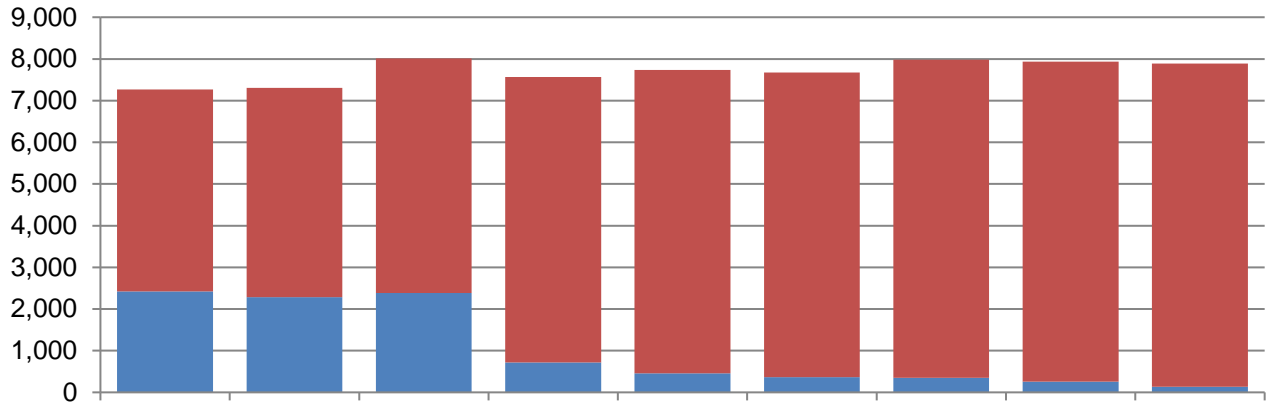
In 2015 a new purchasing card (p-card) program was implemented to reduce the number of paper checks written. 2016 was the first full year with City-wide participation and we have realized time and material savings, a reduction in errors, and a sizeable rebate.

As mentioned under the special projects section, the purchasing card program transitioned to the State contract program. This transition resulted in a skewed rebate for 2018 as it includes a rebate for transactions from 3/1/17-12/31/18, almost two years worth of rebate.

Employee Payments

In 2013, payroll shifted from all paper checks to available electronic ACH. In addition, direct deposit became required for all new hires. Direct deposit is more convenient for most employees and saves the City time and money. With the new timekeeping and payroll software noted in the process improvement section, an option is available for employees to sign-up for electronic-only W-2 distribution. In 2018, 59 employees made that election, which saved money on postage and materials.

Payroll Transactions

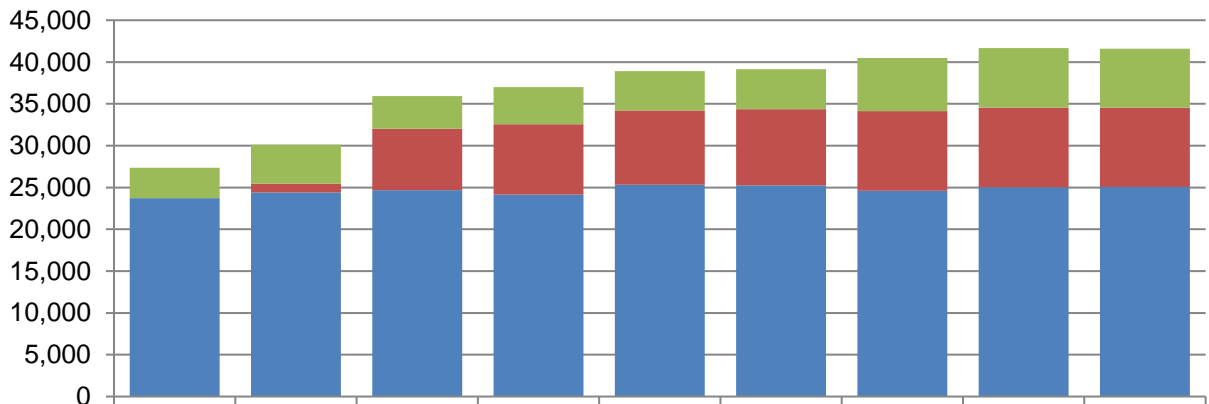


	2010	2011	2012	2013	2014	2015	2016	2017	2018
ACH Payments	4,846	5,024	5,629	6,849	7,277	7,303	7,628	7,677	7,751
Payroll Checks	2,420	2,284	2,382	714	455	368	353	260	135

Cash Collection - General

Total number of receipts increased significantly between 2010 and 2012 due to the opening of the library in late 2011. While the Library staff collects and receipts their own money, the Finance Department is involved in verifying the receipts, reconciling the deposits, and bringing the deposits to the bank. Other than that change, the number of receipts has remained relatively consistent. Note: This chart excludes property tax receipts, which are processed through a different software.

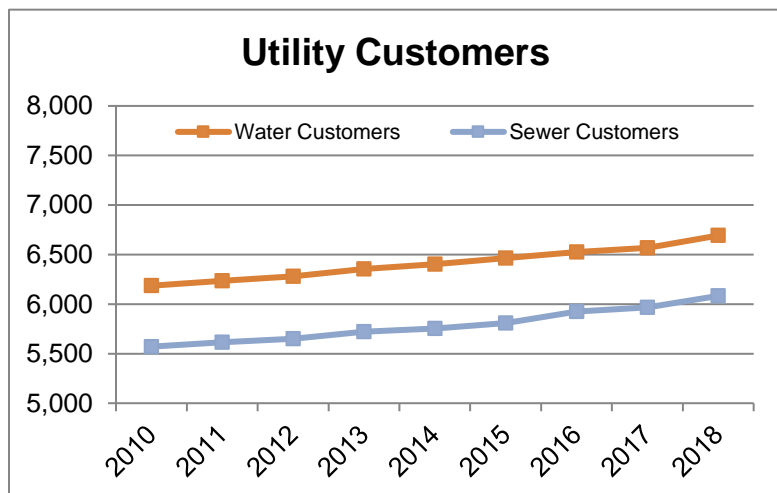
Receipts



	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Receipts	3,640	4,700	3,897	4,428	4,692	4,799	6,366	7,091	7,040
Library Receipts	0	1,031	7,347	8,429	8,897	9,123	9,548	9,537	9,491
Utility Billing Receipts	23,727	24,401	24,679	24,127	25,320	25,241	24,588	25,031	25,065

Utility Billing and Collection

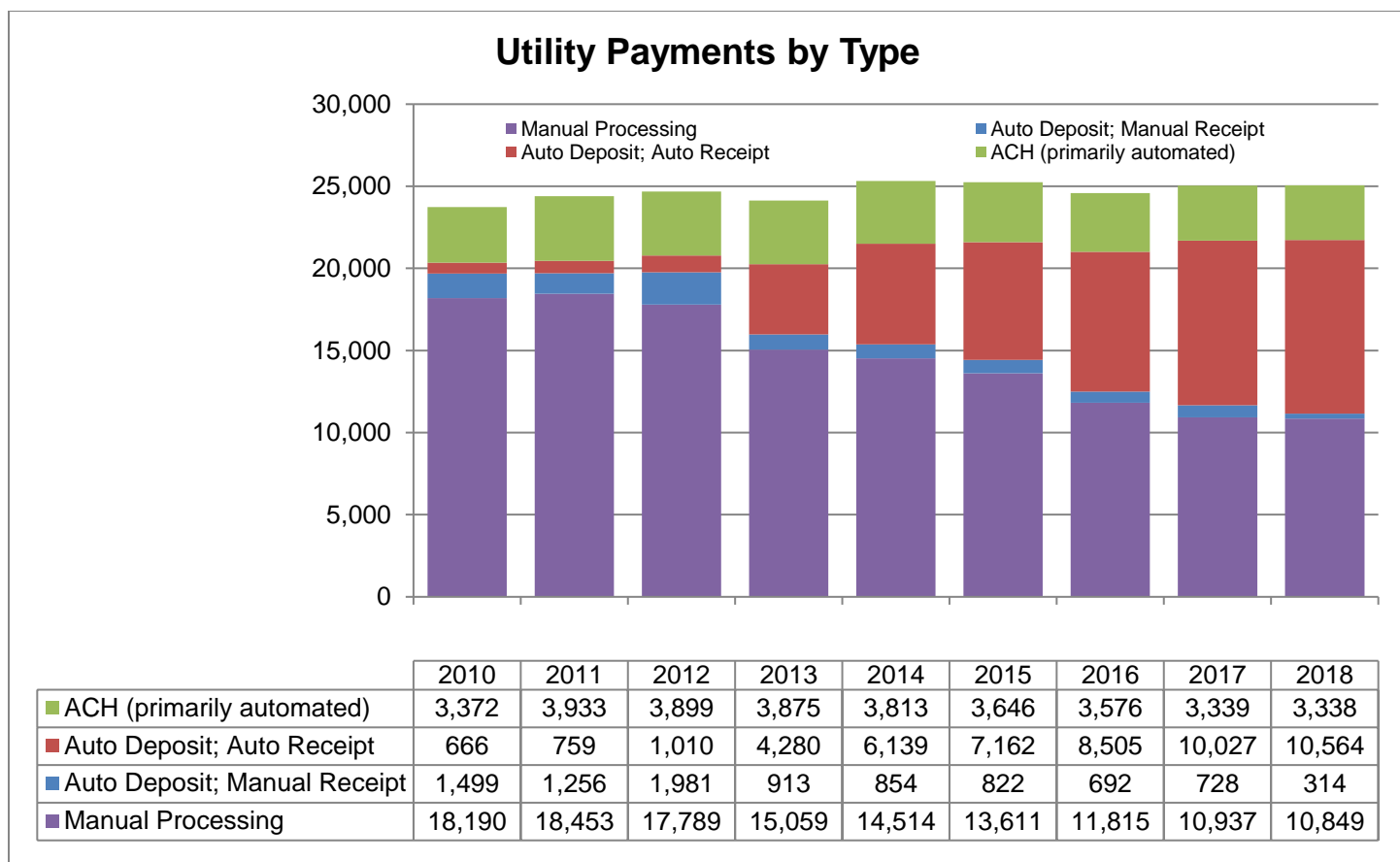
The process performed by the Finance Department that is most visible to citizens is utility billing and collection. Utility bills are issued quarterly in March, June, September, and December and include water, sewer, storm water, and fire protection charges.



The number of utility customers continues to rise as new housing projects are completed. Since 2010 there have been about 500 additional utility customers. The increase in workload has been able to be managed within the Finance Department due to process improvements and a restructuring of the Department in 2015. An additional part-time utility billing assistant was authorized and hired in 2018 and is the first increase in permanent staff within the Finance Department in at least 20 years.

The Automated Meter Information (AMI) system project for the utilities began in November 2012 and was completed in February 2018. There are over 6,300 meters installed throughout the City that all needed to be changed as a part of this project.

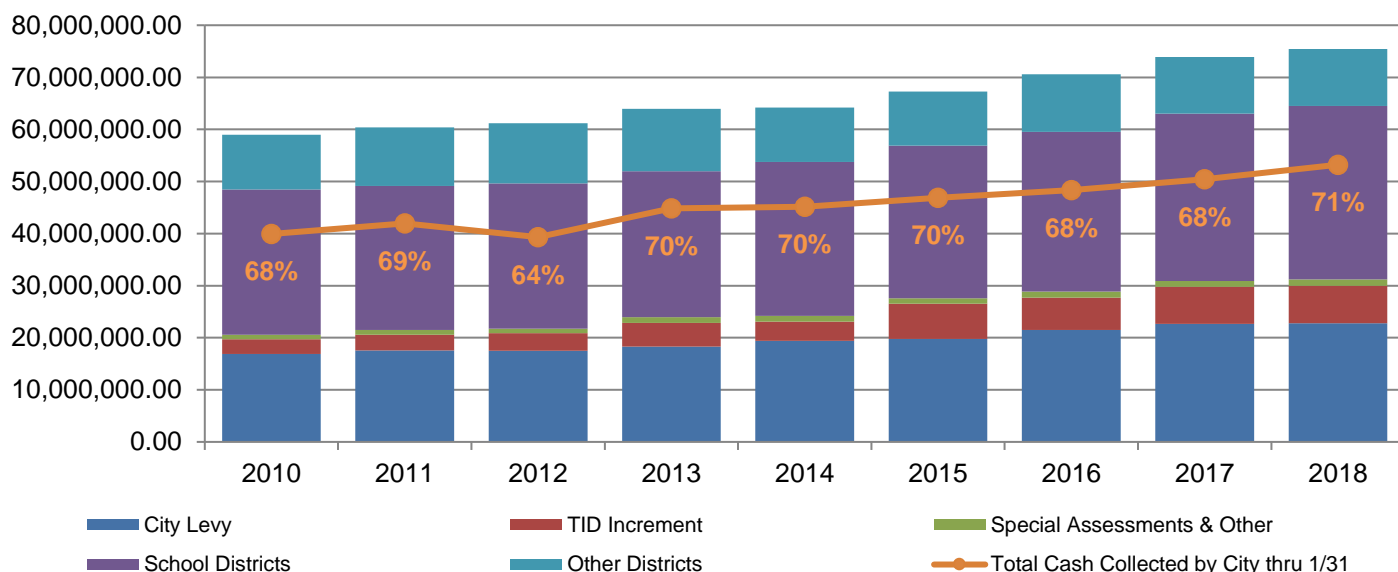
The other area of efficiency we are promoting is the increased use of our automated bill payment methods. In 2013, online bill viewing and free online payment was implemented. This new payment option has significantly decreased the number of payments that require manual processing. We continue to promote auto deposit from a customer's checking account as the most efficient payment method, with no fees to either the customer or the utility.



Property Tax Collection

The second most visible Finance Department process is property tax collection. We collect property taxes not just for the City of Fitchburg but also for the overlying jurisdictions, including the three school districts, Madison College (MATC), State of Wisconsin, and Dane County. Property tax bills are issued in December each year for the current year's tax roll and the following year's budget (e.g. the 2017 tax bills were issued in December 2017 and collected through 2018 to pay 2018 expenses). For real property, the City collects payments through January 31 and then the outstanding amounts are turned over to Dane County. The collection responsibility for personal property remains with the City. The total volume of collections has risen due to the increase in levies for the taxing jurisdictions.

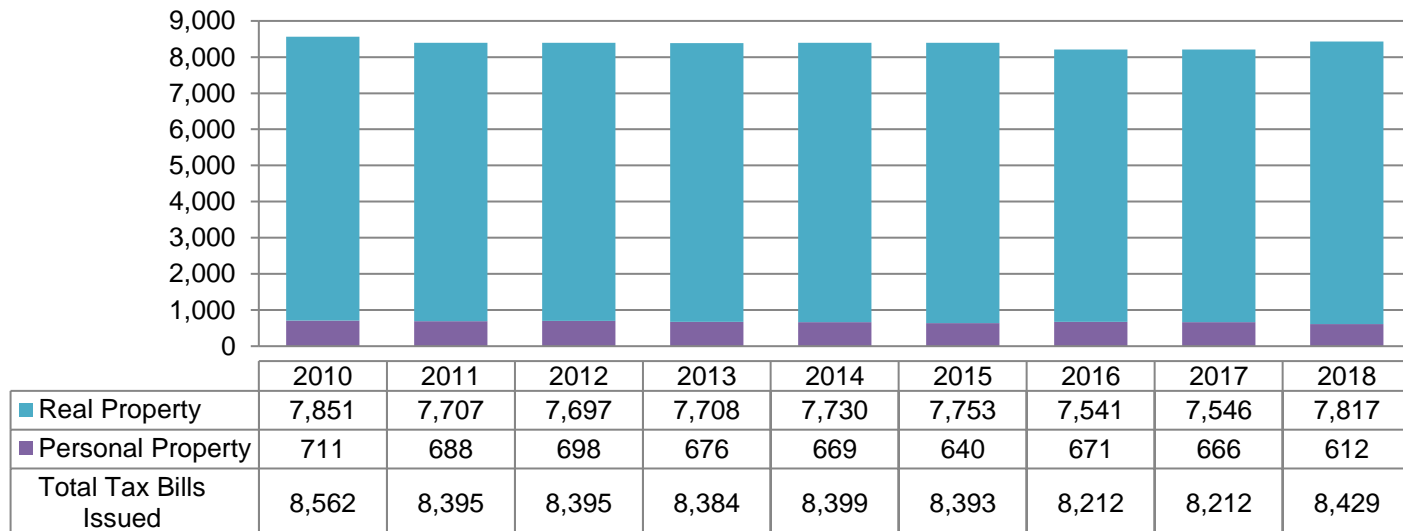
Tax Roll by Jurisdiction (based on tax roll year)



It is also important to note that in January 2019 (2018 tax roll) there was severe weather, which caused several closures, including mail delivery. As a result, the County extended the cut-off for municipal collection and the City received everything in our possession through February 4, 2019. This unique circumstance is likely the cause for the slightly higher percentage collected by the City that year.

The total number of tax bills has remained relatively stable over the past nine years. However, in 2018 the State provided an exemption for certain classifications of personal property. This change in legislation is what caused the decrease in the number of personal property tax bills from the 2017 to the 2018 tax roll. That decrease was overshadowed by the significant increase in the number of real property tax bills caused by the number of single family home lots created in 2017 that were first taxed separately as of 1/1/18.

Tax Bills Issued

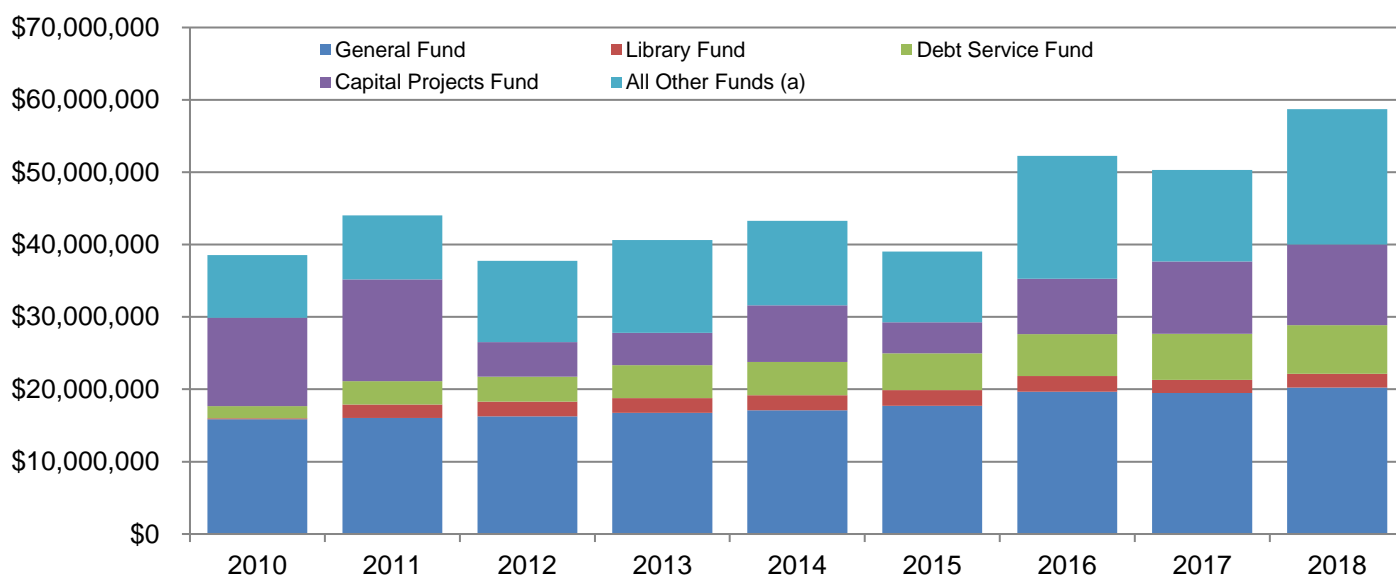


Expenditure Budgets

The Finance Department monitors financial and budgetary status for the City, in cooperation with the various departments. The City has grown quite significantly in the past nine years, which has translated into larger expenditure budgets and property tax levies.

- **The General Fund** budget has remained relatively stable and has increased an average of 3.5% per year from 2010 to 2018.
- **The Library Fund** was first established in 2009 to pay the initial operating costs associated with the planning and implementation of the new programming during the construction of the new building. The library was first operational in June 2011. Beginning with the 2017 budget, the payments to and from the County for inter-library use was netted and reported as a net revenue payment. There was a larger increase from 2017 to 2018 (5.2%) due to changes in staffing levels.
- **The Debt Service Fund** expenditures have increased to pay for the external debt issued by the City to finance large projects. The largest increase was between 2010 and 2011 which was primarily the issuance of debt for the construction of the new library. Larger increases are also seen from 2014 and beyond due to the construction of two new fire stations and several large road projects that were funded by borrowing.
- **The Capital Projects Fund** variances are also primarily the result of new building construction projects funded by debt issuance. The cost to construct the library building was paid out of the Capital Projects Fund in 2010 and 2011. Large costs for the new fire stations began in 2014 and are expected to continue through 2019. In 2017 the reconstruction of Lacy Road from a rural to urban road was completed. Payments on the debt issued to finance these projects are later paid by property taxes, through the Debt Service Fund.
- **The Other Funds** category has seen modest changes with some exceptions. The TID #4 budget has increased significantly due to projects, payment of developer pay-as-you-go (PAYGO) incentives, and debt service payments for the Highway 14 interchange. TID #6 also paid for two new roads, Spoke and Sprocket, to help spur development. In addition a new TID #9 and a new Technology internal service fund were included in the 2016 budget. A new TID #10 and insurance/risk management internal service fund is included in 2017; however, the total dropped due to timing of project costs with the TID budgets. In 2018, an early payoff of a PAYGO incentive and a prepayment of a large portion of the interchange debt is included.

Expenditure Budgets by Fund



(a) The "All Other Funds" category includes:

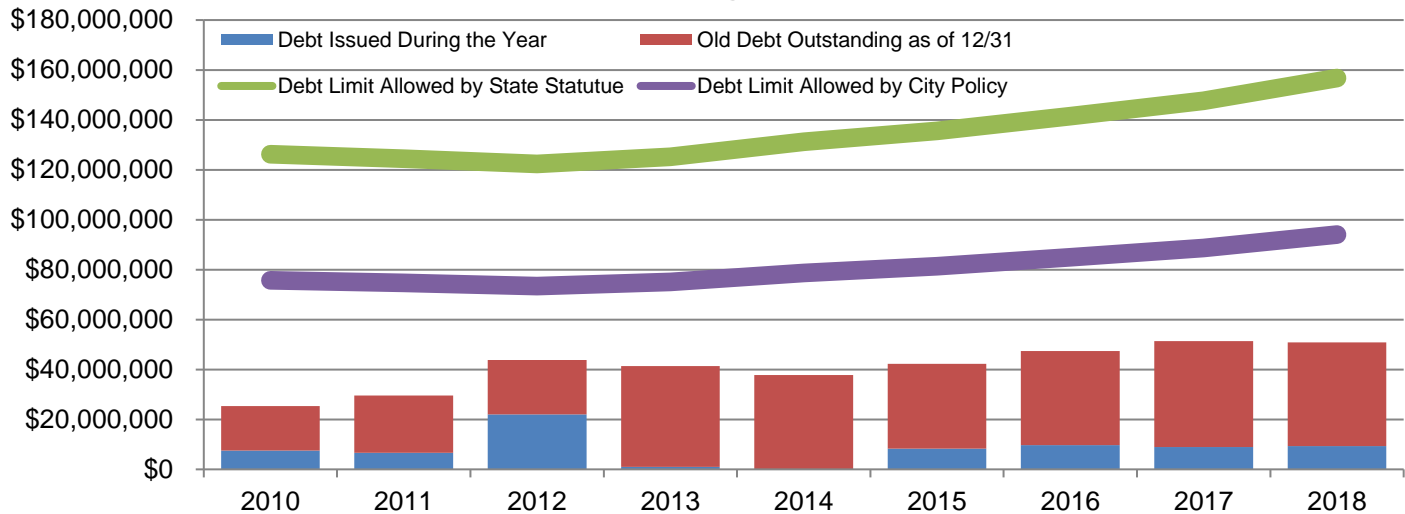
- Special Revenue Funds: grants/donations, park dedication, cable, refuse and recycling, police training and drug enforcement, community and economic development authority (CEDA)
- Tax Increment Financing District Funds: TID #4 – Fitchburg Technology Campus, Agora, and Fitchburg Technology Campus II/Uptown; TID #6 – Orchard Point and Arrowhead; TID #7 – North Fish Hatchery; TID #8 – Brown Business Park; TID #9 – Sub Zero; and TID #10 – North Fish Hatchery
- Enterprise Funds: Water, sewer, and storm water utilities
- Internal Service Funds: technology and insurance/risk management

General Obligation Debt

The City uses external debt to finance large capital projects as indicated in the financial plans. One primary benefit of using debt issuance for these projects is to match the payments for the projects to the property tax collections from owners who benefit from the projects.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The City has also adopted a more strict internal policy of 3% of equalized value. The City currently remains well within both of these limits.

General Obligation Debt



Large projects included in the specific debt issuances include:

- **2010A Notes (\$2,550,000) and 2010B Bonds (\$4,995,000)**: All of the bonds were issued to finance the library building construction project. The 2010A Notes were pre-paid in 2018. The 2010B Bonds were refinanced in 2018.
- **2011A Notes (\$1,190,000) and 2011B Bonds (\$5,395,000)**: All of the bonds were issued to finance the first portion of the Highway 14 interchange project. Future payments on the debt will be paid through TID #4.
- **2012A Notes (\$6,195,000), 2012B Bonds (\$15,350,000), and 2012C Taxable Refunding Bonds (\$500,000)**: The notes include \$2.9 million for the Post Road and Index Road extensions. The bonds include a refinancing of a \$4.8 million State Trust Fund Loan for the library construction project and \$10.5 million for the second portion of the Highway 14 interchange project. Future payments on the interchange debt will be paid through TID #4.
- **2013A Notes (\$1,040,000)**: Various smaller projects.
- **2015A Notes (\$3,240,000) and 2015B Bonds (\$5,085,000)**: The notes include \$1.5 million for the McKee Road reconstruction project. The bonds include \$4.0 million for the land acquisition and roadway construction costs for the Arrowhead Redevelopment (aka Spoke and Sprocket roads). Future payments on Arrowhead debt will be paid through TID #6. Note: Included in the 2014 budget was issuance of debt for approximately \$6 million in projects; however, due to turnover in the Finance Department, the debt was not issued as originally expected. Instead, the borrowing for the 2014 projects was included in the 2015 issuance, along with the other 2015 projects.
- **2016A Notes (\$4,465,000) and 2016B Bonds (\$5,235,000)**: The notes include \$1.1 million for a new aerial ladder truck for the Fire Department. All of the bonds are for the first large borrowing for the new fire stations. Additional borrowing for future costs of the stations are expected in future years.
- **2017A Notes (\$1,055,000) and 2017B Bonds (\$7,935,000)**: The bonds include \$4.2 million in additional borrowing for the fire stations and \$3.5 million for the City's share of Lacy Road reconstruction costs.
- **2018A Notes (\$1,745,000) and 2018B Bonds (\$7,535,000)**: The bonds include \$4.2 million in additional borrowing for the fire stations and \$3.7 million for the refinancing of the 2010B bonds, which saved the City \$178,000 over the remaining life of the bonds (present value of \$84,000).