



## Finance Department 2020 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

**COVID-19 Response:** The Finance Department was greatly affected by COVID-19. Similar to other departments, many staff began working partially from home. Previously implemented paperless workflows allowed much of the Finance functions to be efficiently and effectively completed off-site. When City Hall was closed to the public, Finance continued to process payments from the mail and drop-box. Appointments were also available for water meter pick-up. Property tax collection was quite different with a COVID-19 responsible layout for in-person payments, by appointment. CARES funding was received from the Federal government, passed through the State in the Routes to Recovery program; however, the rules and guidelines for this grant funding was frequently changed and clarified, which required significant time to monitor the requirements and the City's strategy on use of the funding. The Finance Department was also involved in other various policies in response to COVID-19 including FFCRA-required emergency paid sick leave and EPSL for emergency responders.

**TID Activity:** Various TID items were completed during 2020. TID #13 was amended to expand the boundaries and update the project plan. A new development agreement was approved in TID #10 for a mixed-use building at the old juice plant site on Fish Hatchery Road. The Benjamin Investments 2 PAYGO (TID #6) for the TID incentive was issued with no changes from the original agreement. The Phoenix RE PAYGO (TID #13) was also issued with no changes from the original agreement. As required by state statute, a 30% audit of TID 10 was also completed.

**Refinancing of 2012 Library External Debt:** Due to the favorable rate environment, the City was able to refinance the remaining (non-TID) 2012B General Obligation Bonds that were used to construct the Library. The refinancing resulted in a future value savings of \$1.1 million.

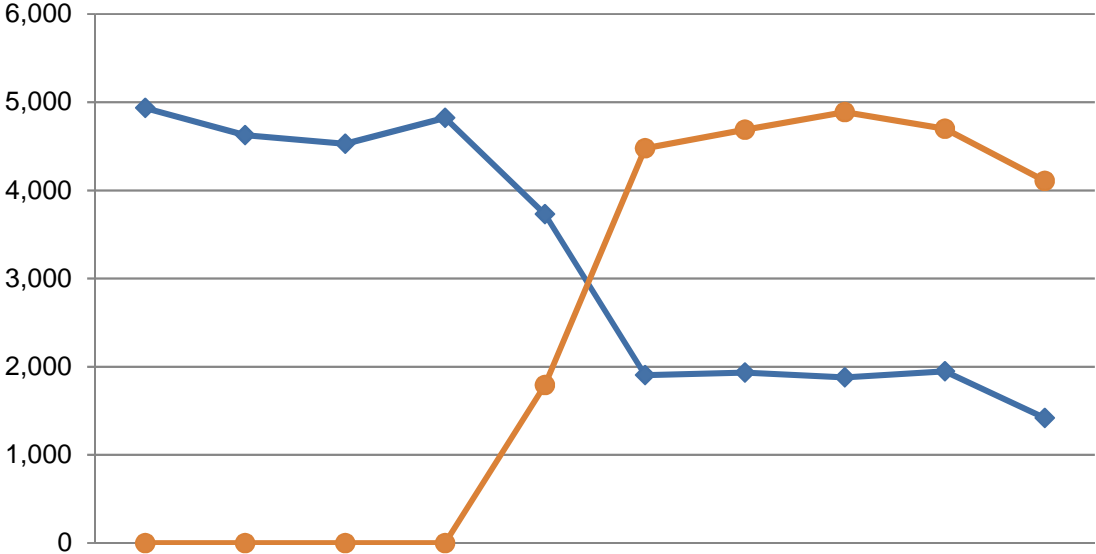
**Account Clerk II Retirement:** A long-term member of the Finance Department retired in December 2020. Luckily, one of the other Account Clerks was interested in transitioning to the payroll position. This internal transition allowed for a longer training time, which was important due to the significant complexities of the payroll function. Filling the gap from a nearly 30 year employee is tough, but the Finance Team is strong and will be sure that the finance functions continue without significant delays.

**Town of Madison Impacts:** The dissolution of the Town of Madison and the transition of some properties to the City of Fitchburg will occur in October 2022. A significant amount of planning is needed to address the financial and operational impacts of this additional territory. There are also some complications expected during the transition that need to be researched and negotiated. This analysis will continue in earnest over the next two years.

# Vendor Payments

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

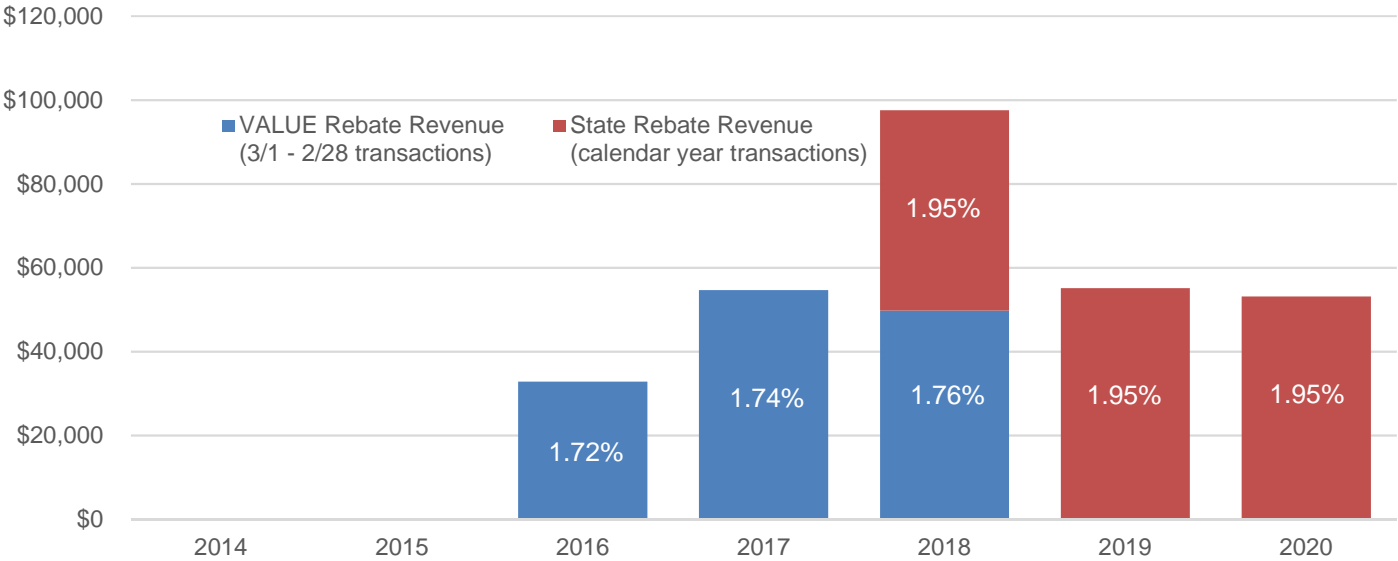
## Payments to Vendors



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Accounts Payable Checks	4,934	4,628	4,529	4,822	3,730	1,905	1,933	1,880	1,949	1,417
P-Card Transactions	0	0	0	0	1,792	4,479	4,690	4,888	4,700	4,109

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.

## Purchasing Card Rebate Revenue

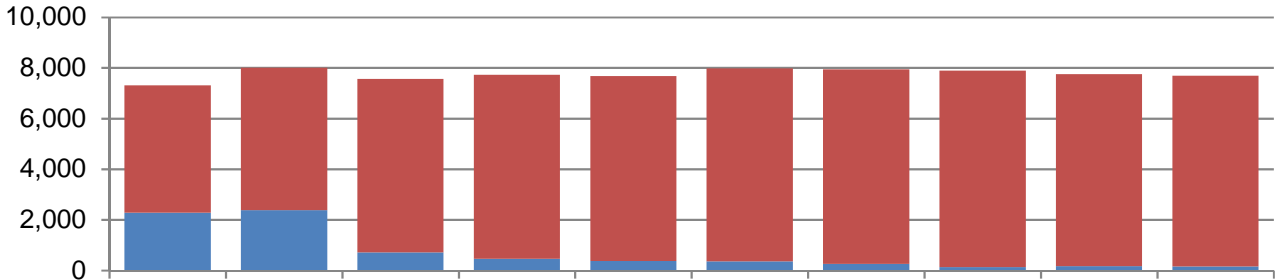


In 2018 the purchasing card program transitioned to the State contract program. This transition resulted in a skewed rebate for 2018 as it includes a rebate for transactions from 3/1/17-12/31/18, almost two years worth of rebate.

## 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 implemented in 2018, an option became available for employees to sign-up for electronic-only W-2 distribution. In 2020, 87 employees made that election (an increase of 32 employees), which saved money on postage and materials.

### Payroll Transactions

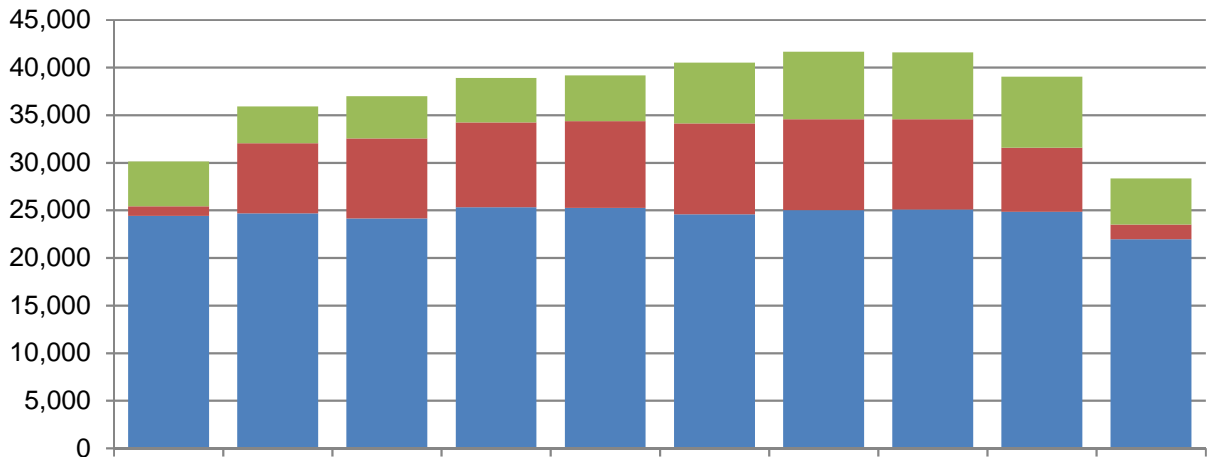


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ACH Payments	5,024	5,629	6,849	7,277	7,303	7,628	7,677	7,751	7,593	7,543
Payroll Checks	2,284	2,382	714	455	368	353	260	135	161	152

## Cash Collection - General

The total number of receipts increased significantly between 2011 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. In 2019, the library went fine-free, which significantly reduced the number of library receipts in 2019 and beyond. In 2020, COVID-19 reduced the total amount of receipts. Other than those changes, the number of receipts has remained relatively consistent. Note: This chart excludes property tax receipts, which are processed through a different software.

### Receipts

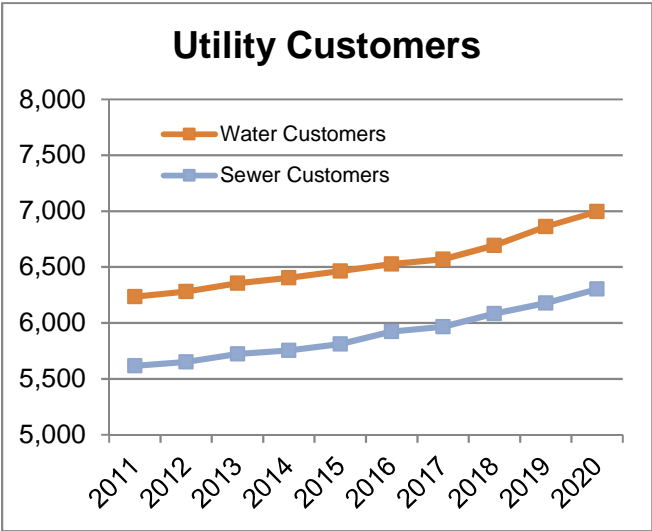


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Receipts	4,700	3,897	4,428	4,692	4,799	6,366	7,091	7,040	7,453	4,847
Library Receipts	1,031	7,347	8,429	8,897	9,123	9,548	9,537	9,491	6,726	1,531
Utility Billing Receipts	24,401	24,679	24,127	25,320	25,241	24,588	25,031	25,065	24,861	21,964

See following section for details specifically about utility billing receipts.

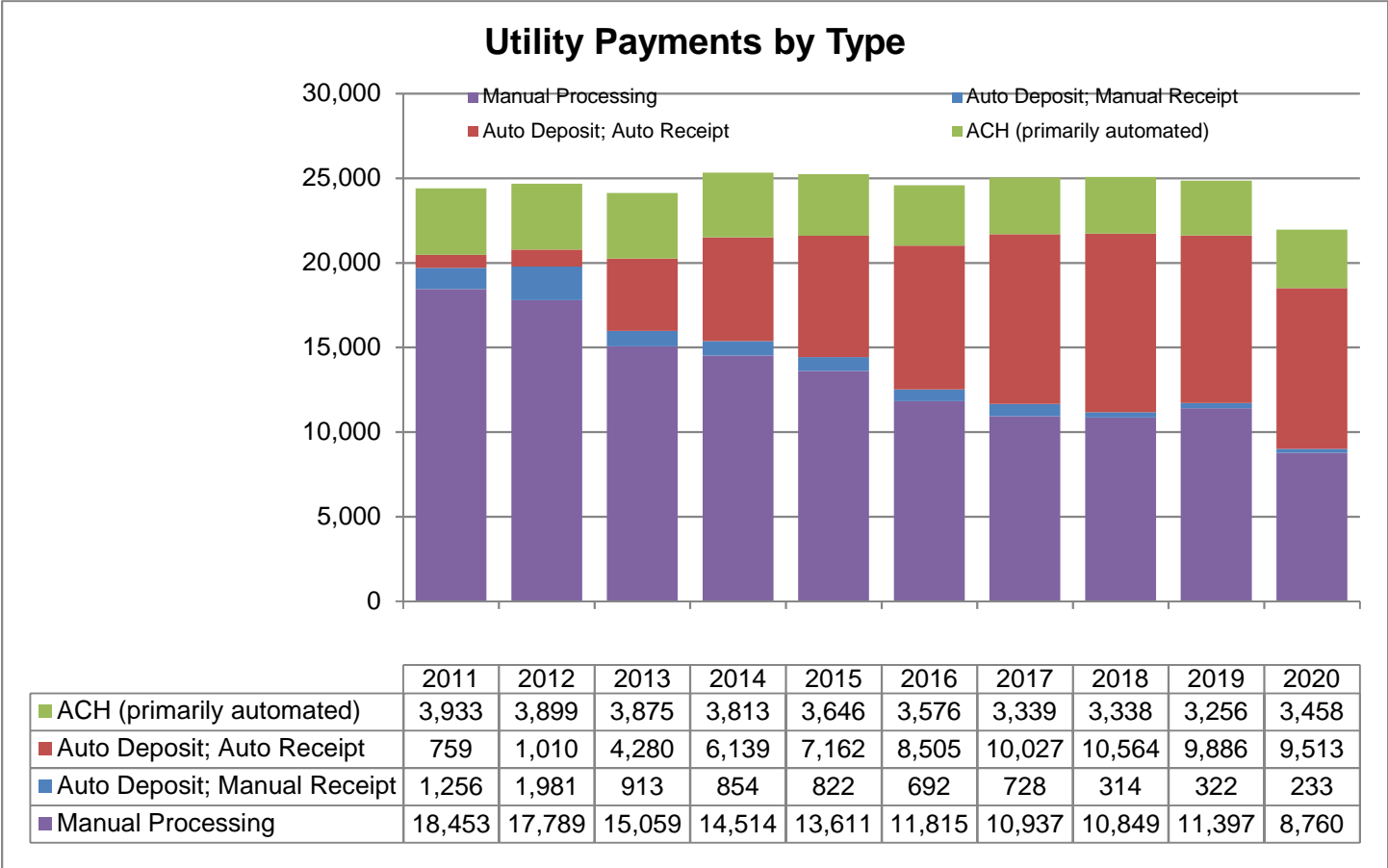
## Utility Billing and Collection

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 2011 there have been about 761 additional water customers and 687 additional sewer customers, many new in 2019 and 2020. The increase in workload has been able to be managed within the Finance Department due to several process improvements, a restructuring of the Department in 2015, and an additional part-time utility billing assistant in 2018. The new part-time position in 2018 was the first increase in permanent staff within the Finance Department in at least 20 years.

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.

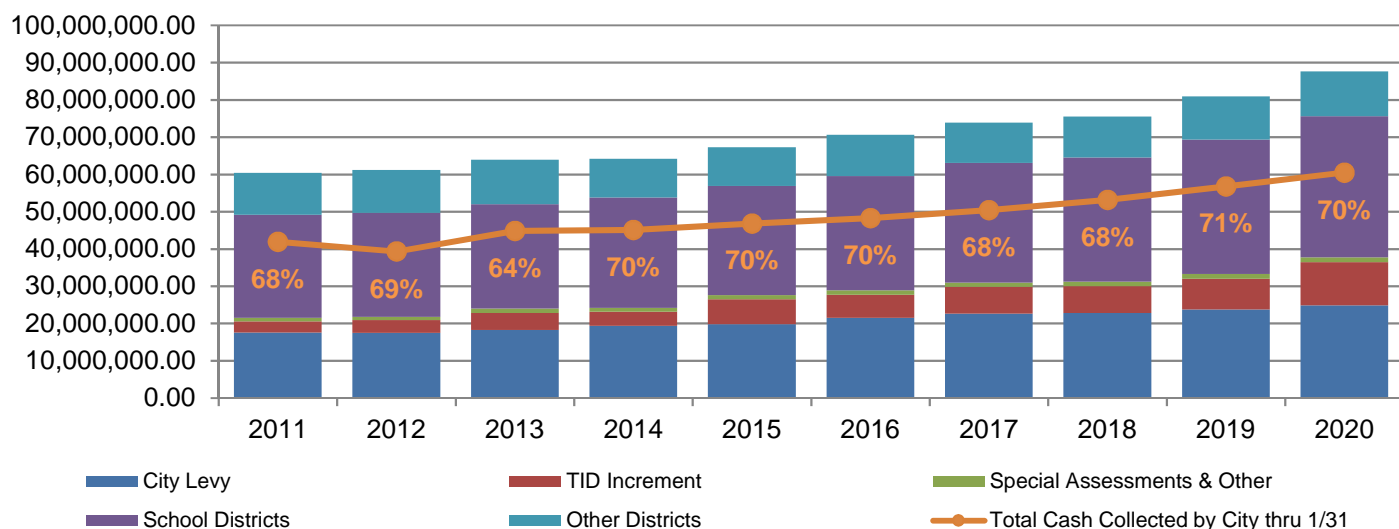


During 2020, there was a global pandemic caused by COVID-19. Due to the impact on our residents, the City waived interest and penalty and discontinued the disconnection process for the majority of the year. It is believed that this policy change is what caused the reduction in the number of receipts for utilities.

## Property Tax Collection

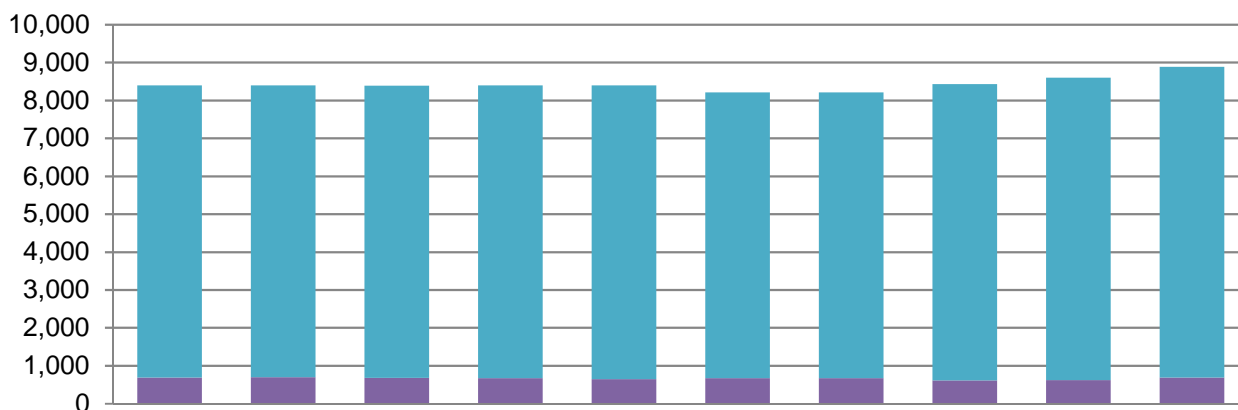
The second most visible Finance Department process is property tax collection. We collect property taxes not just for the City of Fitchburg but also for the overlying jurisdictions, including the three school districts, Madison College (MATC), State of Wisconsin, and Dane County. Property tax bills are issued in December each year for the current year's tax roll and the following year's budget (e.g. the 2019 tax bills were issued in December 2019 and collected through 2020 to pay 2020 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)



The total number of tax bills has remained relatively stable over the past ten 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. Each subsequent year there continued to be many new single family home lots, which increased the number of tax bills issued.

### Tax Bills Issued



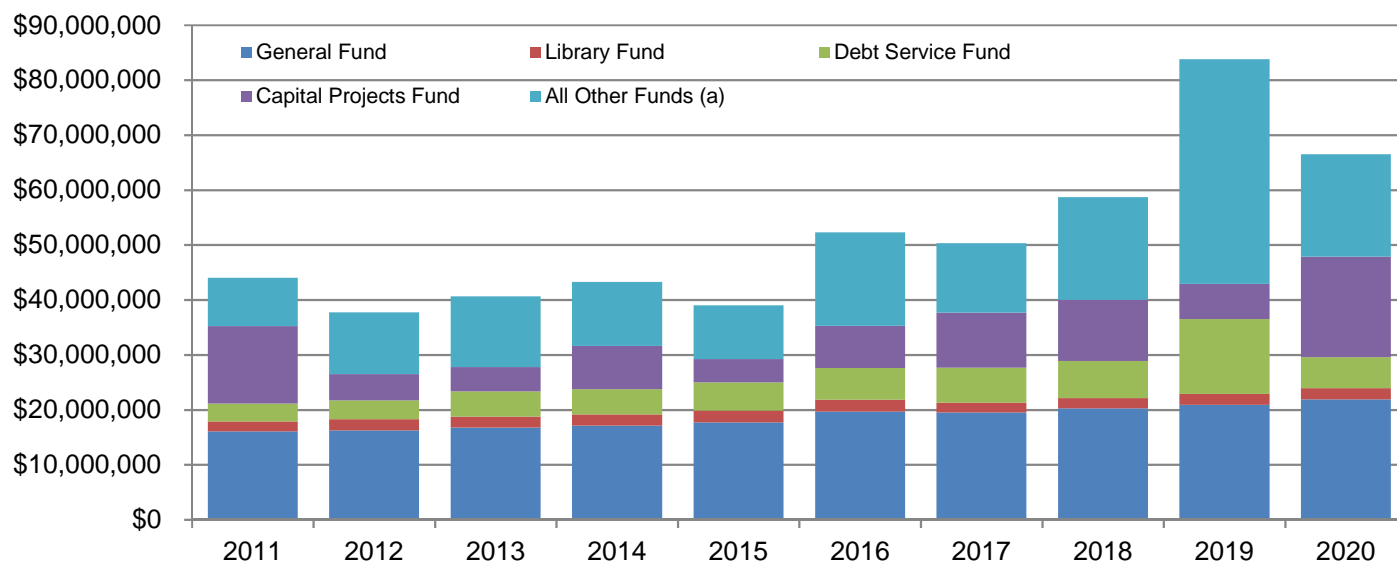
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real Property	7,707	7,697	7,708	7,730	7,753	7,541	7,546	7,817	7,979	8,199
Personal Property	688	698	676	669	640	671	666	612	622	686
<b>Total Tax Bills Issued</b>	<b>8,395</b>	<b>8,395</b>	<b>8,384</b>	<b>8,399</b>	<b>8,393</b>	<b>8,212</b>	<b>8,212</b>	<b>8,429</b>	<b>8,601</b>	<b>8,885</b>

## 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 ten 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 4.0% per year from 2011 to 2020. Recent years have been a higher increase than earlier years
- **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.
- **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 from 2018 to 2019 due to the planned pre-payment of a large amount of debt in TID #4. Larger increases are also seen between 2010 and 2011 which was primarily the issuance of debt for the construction of the new library and 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 continued through 2019. In 2017 the reconstruction of Lacy Road from a rural to urban road was completed. In 2018 the reconstruction of Fish Hatchery road was first budgeted with costs expected to continue from 2018 to 2022. In 2020 debt was issued for continued costs of several large road projects and a refinancing of 2021 bonds. Payments on the debt issued to finance these projects are later paid by property taxes, through the Debt Service Fund.
- **The Other Funds** category includes special revenue funds, tax increment district (TID) funds, enterprise funds, and internal service funds. The expenditure budgets of most of the sub-categories has remained relatively stable. The TID budgets, however, have varied significantly based on the timing of large capital projects. Additional detail by TID is included in a future section of this report. Other significant changes include a new technology internal service fund that was included in the 2016 budget and a new insurance/risk management internal service fund that is included in 2017.

### Expenditure Budgets by Fund



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

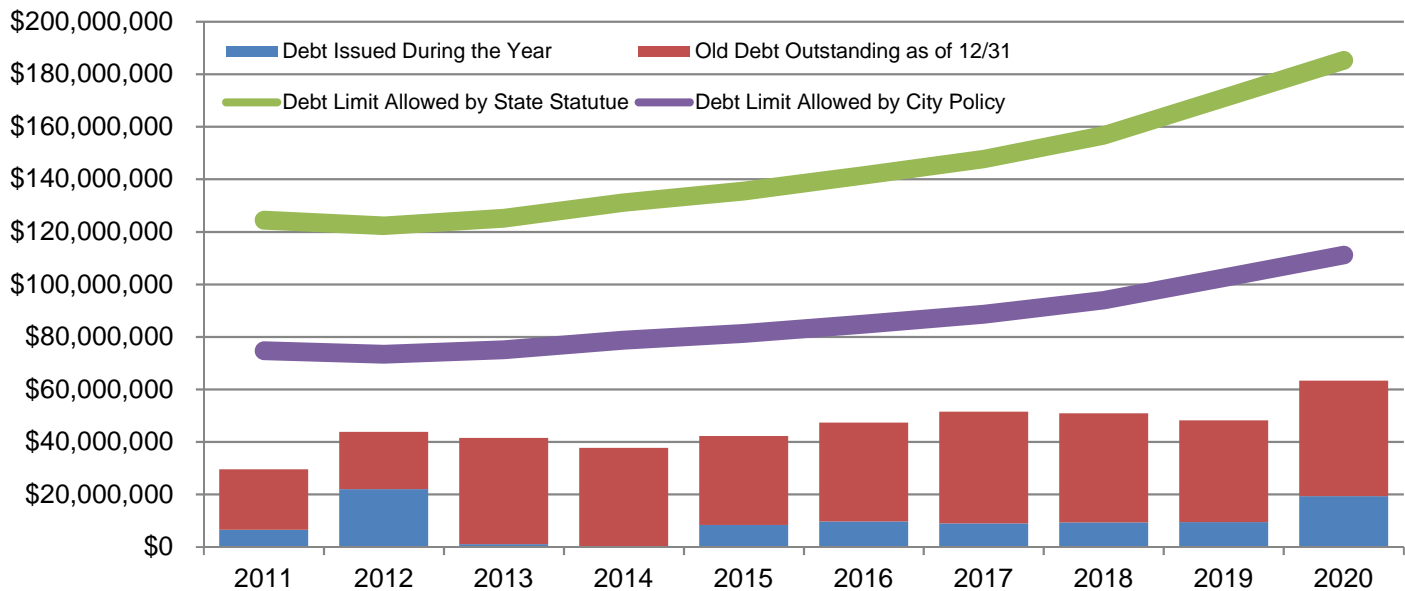
- Special Revenue Funds: grants/donations, park dedication, cable, refuse and recycling, police training and drug enforcement, community and economic development authority (CEDA)
- Tax Increment Financing District Funds: TID #4, #6, #7, #8, #9, #10, #11, #12, #13 (see TID section of this report for more information)
- 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:

- **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. The TID #4 portion of the bonds was pre-paid in 2019. The non-TID portion of the bonds were refinanced in 2021 (by debt issued late 2020).
- **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 the fire stations was completed 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).
- **2019A Bonds (\$9,500,000):** The bonds include \$400,000 for the remodel of Fire Station Headquarters (aka Station 1) on Lacy Road and \$9.1 million for roads. Included in the roads borrowing are additional design costs for McKee Road, 30% of the estimated costs for the TID #10 and non-TID portions of the Fish Hatchery Road reconstruction, and various roads being constructed in Uptown and repaid by special assessments to benefiting property owners.
- **2020A Bonds (\$19,290,000):** The bonds include \$610,000 for a Fire Department squad, \$16.71 million for roads, and \$1.97 million to refinance \$3.0 million of 2012 Bonds (the additional pay-off funded by premium awarded on the 2020 debt issuance). Included in the roads borrowing are construction costs for McKee Road, the remaining estimated costs for the TID #10 and non-TID portions of the Fish Hatchery Road reconstruction, and various roads being constructed in Uptown and repaid by special assessments to benefiting property owners.

## Tax Increment Districts (TIDs)

One of the primary economic development tools available to the City is the use of tax increment districts (TIDs). The value of all property as of the base year (i.e. TID creation) is frozen and the property taxes paid by that original value continues to get shared among the overlying taxing jurisdictions. Any new value that is generated after the creation of the TID (incremental value) pays the same tax rate as all other properties but the tax payments are retained by the TID for expenditures authorized by the project plan and approved by the Joint Review Board (JRB). Once all the project costs have been paid, the City may extend the district for one additional year to fund an affordable housing fund. Once the district is terminated, the full value of all the properties in the district are added to the property tax roll and the property taxes paid are shared among the overlying taxing jurisdictions.

The City has successfully utilized this tool to accomplish many economic development goals. Below is a summary of the TIDs in existence between 2011 and 2020:

Tax Increment District	Base Value	Increment Value as of 1/1/20	Major Projects	Closure Notes
TID #4 – FTC, Agora, and FTC II/Uptown	2003 original \$34,159,100 2012 amended \$49,144,000	\$229,658,500	<ul style="list-style-type: none"> <li>• Interchange (debt issued 2009, 2011, 2012; pre-paid debt 2018, 2019)</li> <li>• Lacy Road Improvements (2003-2012)</li> <li>• Fish Hatchery Road Upgrades (2004-2009)</li> <li>• Nobel Drive/Mica Rd (2012-2018)</li> <li>• Lacy Roundabout (2011-2012)</li> <li>• Nine Springs Underpass (2011-2013)</li> <li>• E. Cheryl/Lacy Connector (2011-2019)</li> <li>• Railroad Improvements (debt issued 2015; cash funded 2018-2021)</li> <li>• Fish Hatchery Road Left Turn Lane (expected 2021)</li> <li>• Development Incentives</li> </ul>	Anticipated closure ~2022 plus affordable housing extension
TID #6 – Orchard Pointe and Arrowhead	2006 original \$20,623,400 2014 amended \$86,800,800	\$138,250,100	<ul style="list-style-type: none"> <li>• Spoke &amp; Sprocket Construction (debt issued 2015, project 2013-2015)</li> <li>• Bus Plazas (2014-2015)</li> <li>• McKee Road Expansion (2014-2021)</li> <li>• Fitchrona/Nesbitt Roundabout (2017-2020)</li> <li>• Development Incentives</li> </ul>	Anticipated closure ~2023 plus affordable housing extension
TID #7 – North Fish Hatchery	2016 \$12,865,600	Closed 2017	<ul style="list-style-type: none"> <li>• Bury Power Lines (2008)</li> <li>• Bus Shelters (2014-2015)</li> <li>• Landscaping/Benches (2009-2011)</li> <li>• Development Incentives</li> <li>• Affordable Housing Extension (2017)</li> </ul>	Closed in 2017 after affordable housing extension, surplus paid for TID #8 loss and solar on City facilities



<b>Tax Increment District</b>	<b>Base Value</b>	<b>Increment Value as of 1/1/20</b>	<b>Major Projects</b>	<b>Closure Notes</b>
TID #8 – Brown Business Park	2009 \$4,430,800	Closed 2017	Incurred only administrative costs before closure.	Closed in 2017 with a small loss
TID #9 – Seminole/ Lacy	2015 original \$42,429,600 2016 amended \$43,552,400	\$48,564,700	<ul style="list-style-type: none"> <li>• Sub Zero Parkway Extension (2017-2019)</li> <li>• Lacy Road Reconstruction (2021-2022)</li> <li>• Commerce Drive Extension (2020)</li> <li>• Seminole Hwy Reconstruction (TBD)</li> <li>• Stormwater Improvements (TBD)</li> <li>• Development Incentives</li> </ul>	Maximum Life 2036
TID #10 – North Fish Hatchery	2016 original \$1,177,000 2018 amended \$42,872,500	\$33,099,900	<ul style="list-style-type: none"> <li>• North Fish Hatchery Road Reconstruction (debt issued 2019, 2020, 2021)</li> <li>• Pike Drive Extension East (TBD)</li> <li>• Traceway Drive Extension (TBD)</li> <li>• Visioning for Fish Hatchery Road Corridor (2019-2020)</li> <li>• Development Incentives</li> </ul>	Maximum Life 2044
TID #11 – Clean-fill site	2018 \$436,200	-\$42,800 *Decrement excl from total	<ul style="list-style-type: none"> <li>• North East Water Main Loop (TBD)</li> <li>• Sewer Costs (TBD)</li> <li>• Development Incentives</li> </ul>	Maximum Life 2046
TID #12 – Promega	2018 \$128,190,000	\$41,664,200	<ul style="list-style-type: none"> <li>• Fahey Glen Extension (2020)</li> <li>• Reconstruct E. Cheryl Roundabout (2020)</li> <li>• Mill/Resurface, Sidewalks, Traffic Calming, Lighting Retrofit on E. Cheryl Parkway (TBD)</li> <li>• Development Incentives</li> </ul>	Estimated 2033 Closure Based on Current Project Plan
TID #13 - Uptown	2018 \$16,000 2020 amended \$TBD	\$5,420,9800	<ul style="list-style-type: none"> <li>• Road Extensions, paid by special assessments (2019-2020)</li> <li>• Environmental Analysis &amp; Remediation</li> <li>• E. Cheryl Pkwy/Syene Intersection</li> <li>• Development Incentives</li> </ul>	Maximum Life 2039
TOTAL as of 1/1/20	\$351,011,900	\$496,658,300		

The Department of Revenue has interactive graphing available on their website for tax increment finance. The next page shows the report for all TIDs in the City of Fitchburg from 2000 to 2019. Similar graphs can be created for TIDs in multiple jurisdictions in Wisconsin and/or specific TIDs within a jurisdiction.

# Tax Increment Finance

