



Finance Department 2017 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 Closures: Tax Incremental District (TID) #7 for North Fish Hatchery Road and #8 for Brown Business Park were both closed during 2017. The successful TID #7 closure returned over \$5 million of value back to the tax rolls and the one-time payout of excess increment was used to support the small loss on TID #8 and a new solar initiative that has an estimated 10 year payback. The TID #7 closure was also delayed by one year to fund a new affordable housing fund with about \$125,000 of seed money for the new initiative.

New Reporting Requirements: Beginning in 2017 new reporting requirements were effective for room tax collections and expenditures as well as for Tax Incremental Financing Districts. This new reporting was an unfunded initiative by the legislature and required a significant amount of staff time to implement. The room tax reporting required overview information on the room tax amounts collected and the Commissions

Arbitrage Review: Every five years the expenditures paid by borrowed money must be reviewed for compliance with extensive IRS requirements. This project was completed for the 2012 debt issuance with the assistance of the City's financial advisor. The City met the requirements for the full \$22 million borrowed in 2012.

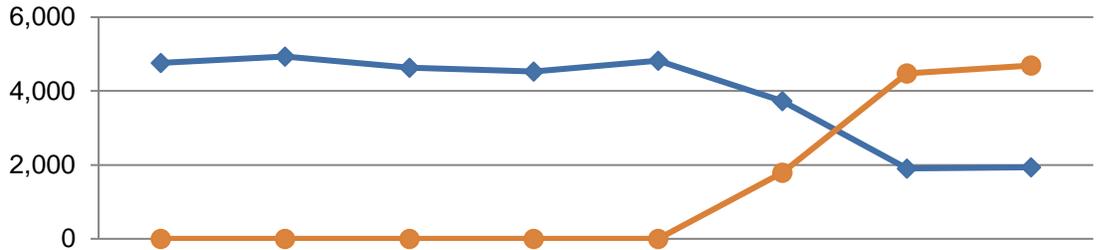
Process/Documentation Improvements: The Finance Department is always looking for ways to be more efficient and/or effective. During the year the quest to continue modernizing the finance processes continued. Following are some examples of process improvements implemented:

- **CIP:** The Capital Improvement Plan (CIP) expanded from five to ten years. In addition, new replacement fund concepts were implemented to allow for more consistent funding levels of routine replacements.
- **Budget:** The Budget document also saw several improvements including a new executive summary for each department, a streamlined submission processes, and new fund budgets.
- **Better Timesheet for Crews:** During 2017, a new timesheet was implemented for utility, parks, and public work crews to begin tracking actual time spent by department. The new timesheet was also used by the Engineers. This change will allow for better data collection and ensuring that the time spent is appropriately allocated to the correct department.
- **Timekeeping Vendor Selected:** Review of timekeeping vendors occurred in 2017 with recommendation and selection occurring at the end of 2017. The program was expanded to include human resources and payroll to further streamline processes that often work together.
- **Grant Fund Implementation:** A new grant fund was implemented to improve tracking of specific grant and donation receipts and the related purchases.

Routine Activities

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

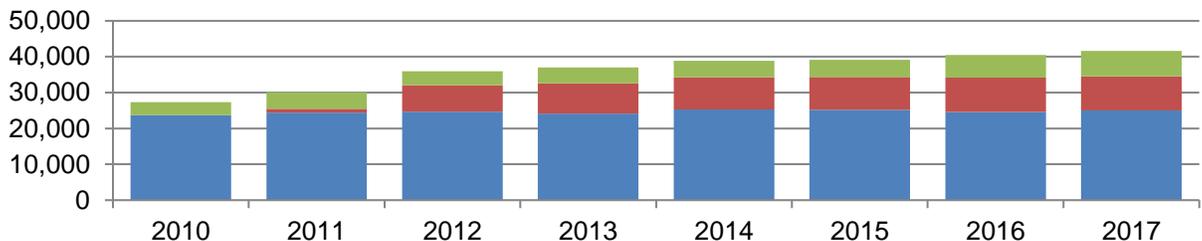
Payments to Vendors



	2010	2011	2012	2013	2014	2015	2016	2017
Accounts Payable Checks	4,758	4,934	4,628	4,529	4,822	3,730	1,905	1,933
P-Card Transactions	0	0	0	0	0	1,792	4,479	4,690

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 (approximately \$55,000 in 2017).

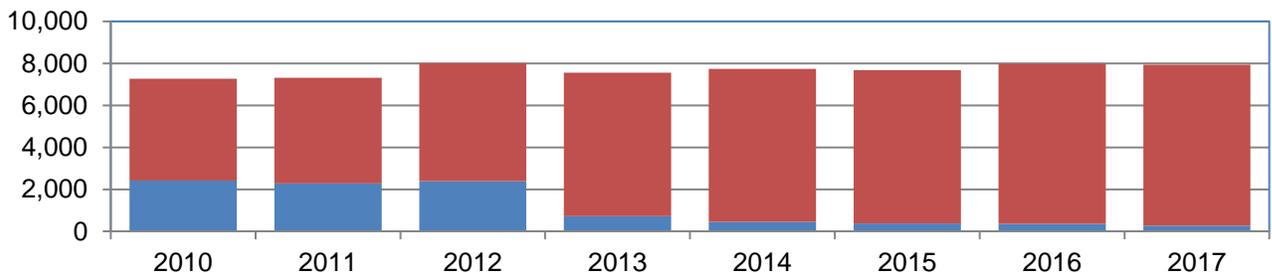
Receipts



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

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.

Payroll Transactions

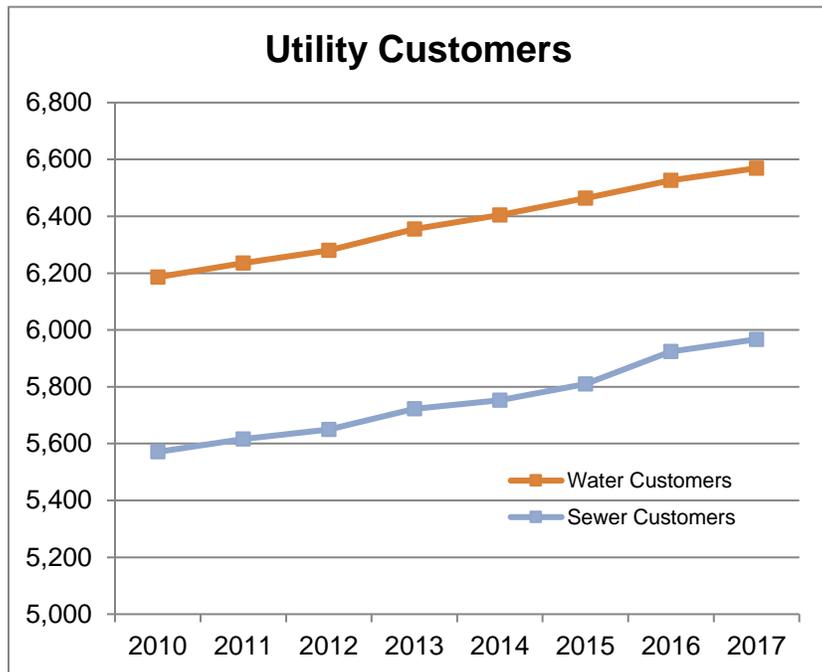


	2010	2011	2012	2013	2014	2015	2016	2017
ACH Payments	4,846	5,024	5,629	6,849	7,277	7,303	7,628	7,677
Payroll Checks	2,420	2,284	2,382	714	455	368	353	260

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.

Utility Billing and Collection

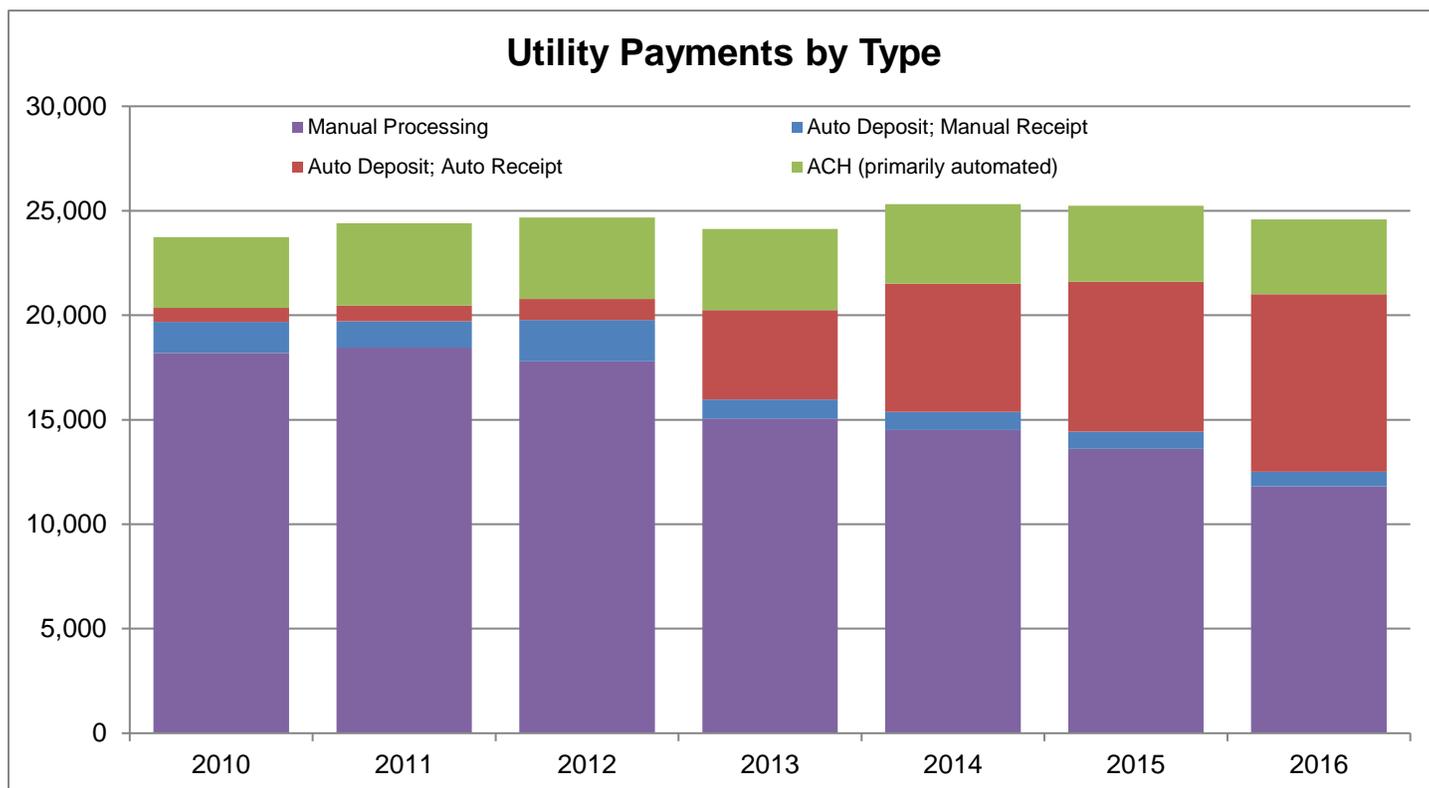
The process performed by the Finance Department that is most visible to citizens is utility billing and collection. Utility bills are issued quarterly in March, June, September, and December and include water, sewer, storm water, and fire protection charges.



The number of utility customers continues to rise as new housing projects are completed. Since 2010 there have been about 400 additional utility customers. The increase in workload has been able to be managed within the Finance Department due to process improvements implemented and a restructuring of the Department in 2015. An additional part-time utility billing assistant was authorized with the 2018 budget 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 completion is expected in the first quarter of 2018. There are over 6,300 meters installed throughout the City that all needed to be changed as a part of this project. As of the end of 2017, about 99% of the meters are now equipped with the new AMI technology and we are following-up with the last of the resistors.

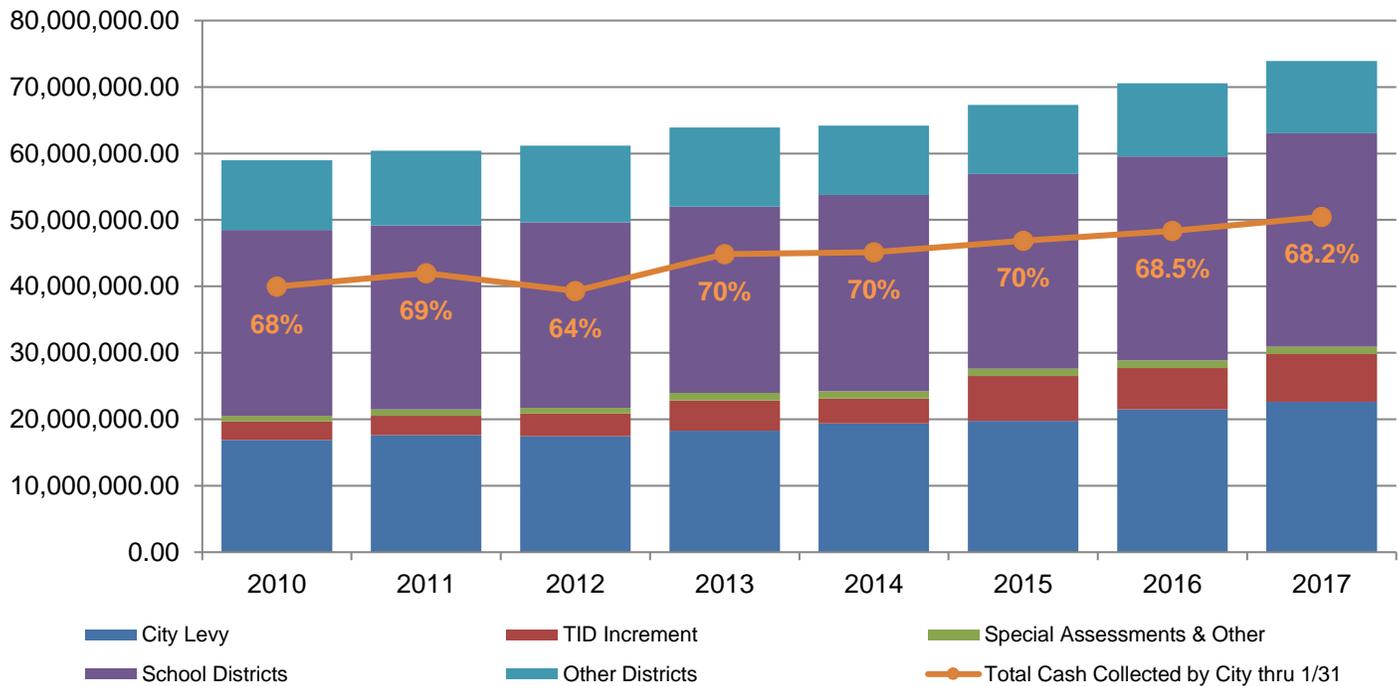
The other area of efficiency we are promoting is the increased use of our automated bill payment methods. In 2013, online bill viewing and free online payment was implemented. This new payment option has significantly decreased the number of payments that require manual processing.



Property Tax Collection

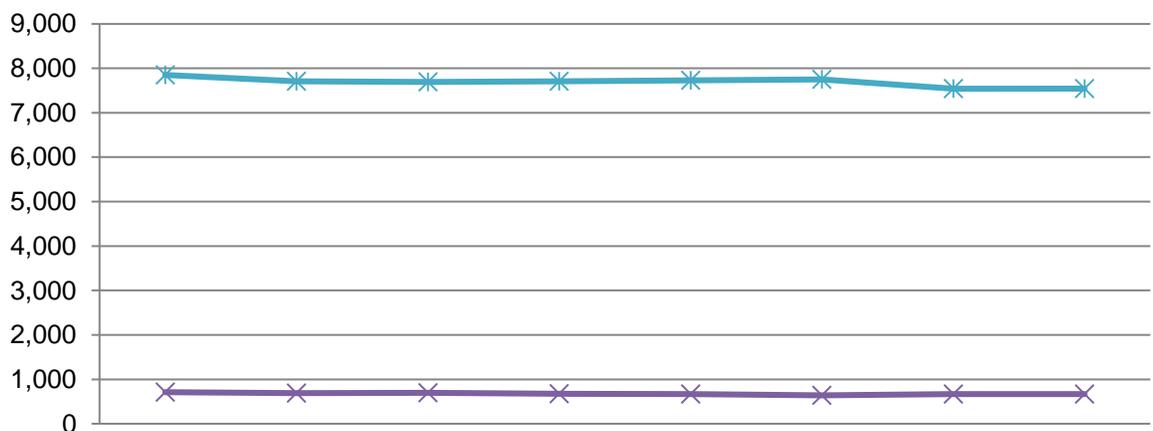
The second most visible Finance Department process is property tax collection. We collect property taxes not just for the City of Fitchburg but also for the overlying jurisdictions, including the three school districts, Madison College (MATC), State of Wisconsin, and Dane County. Property tax bills are issued in December each year for the current year's tax roll and the following year's budget (e.g. the 2016 tax bills were issued in December 2016 and collected through 2017 to pay 2017 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 and the percentage collected by the City has remained relatively stable over the past eight years.

Tax Bills Issued



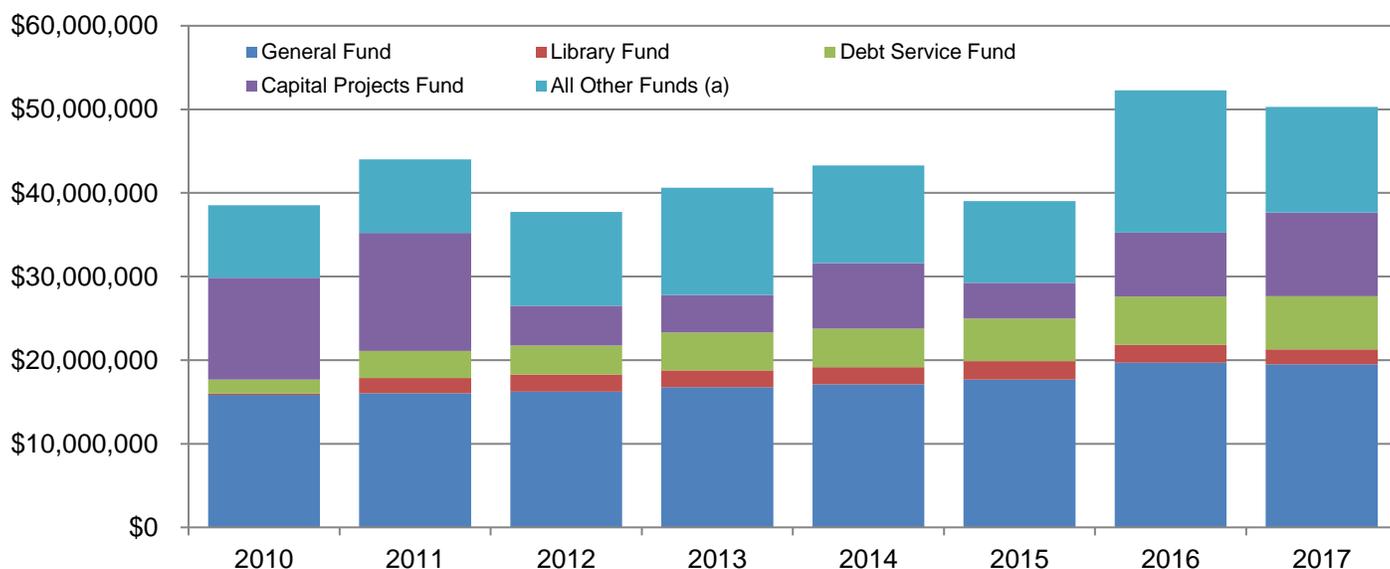
	2010	2011	2012	2013	2014	2015	2016	2017
Personal Property	711	688	698	676	669	640	671	666
Real Property	7,851	7,707	7,697	7,708	7,730	7,753	7,541	7,546
Total Tax Bills Issued	8,562	8,395	8,395	8,384	8,399	8,393	8,212	8,212

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 eight 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 2.3% per year from 2010 to 2015. A larger increase (11.23%) was seen from 2015 to 2016 primarily due to a transfer from the General Fund to the Capital Projects Fund for new fire station land acquisition costs. From 2016 to 2017 the increases in operating expenditures were masked by the removal of the one-time transfer to the Capital Projects Fund in 2016.
- **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 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 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.

Expenditure Budgets by Fund



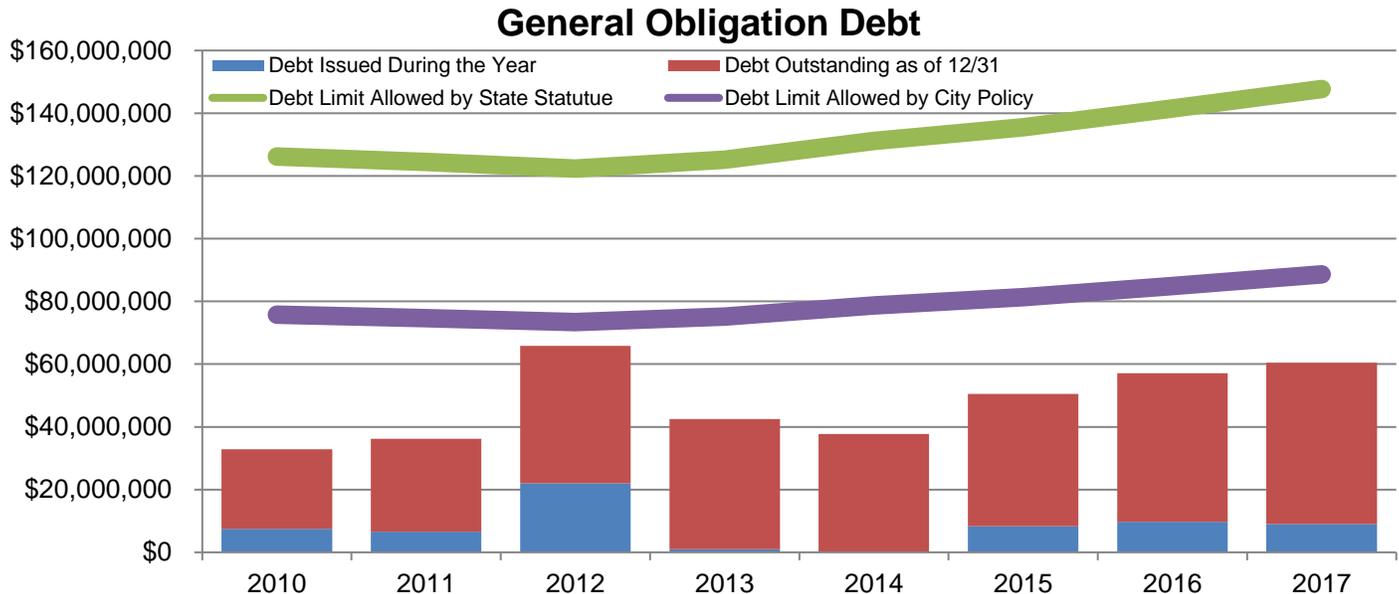
(a) The "All Other Funds" category includes:

- 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.



Large projects included in the 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.
- **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.