

*****ATTACHMENTS*****

II

3.3

R. O. No. 37 - 20 - 21. By CITY ADMINISTRATOR. July 20, 2020.

Submitting the Financial Trends Monitoring Analysis report for the years 2015 through 2019.

FAP

CITY ADMINISTRATOR



City of
Sheboygan
spirit on the lake

2020 Financial Trends Monitoring Analysis

July 2, 2020

Introduction

The Financial Trend Monitoring System (FTMS) was developed by the International City/County Management Association (ICMA) as a method for monitoring the financial condition of local government. The purpose of this report is to comprehensively examine the financial trends of the City of Sheboygan and make any financial policy adjustments to improve its overall financial condition. In accordance to the FTMS, generally accepted accounting standards were followed for the data presented in this report.

The report for this financial analysis is derived from the indicators described in the ICMA publication, "Evaluating Financial Condition". The ICMA model examines four types of financial conditions:

1. Cash Solvency – the ability to pay bills over the next 60-90 days
2. Budgetary Solvency – the ability to cover expenditures with revenues and other resources over the normal budget period.
3. Long-term Solvency – the ability to pay not only the costs of doing business in the current year, but also those that will come due in future years.
4. Service-Level Solvency – the ability to provide services at the level and quality that are required for the health, safety, and welfare of the community and that citizen's desire.

There are significant variations on how local governments manage their finances. This variation makes it challenging identify the standards and benchmark the indicators for local government. Therefore, it is almost certain that these standards and indicators are set up in accordance to local government goals, mission, and vision. For each indicator, they are characterized by an outcome described below:

Favorable – this trend is positive and meets policy or performance measures set by the city.

Caution – the trend is uncertain and should be watched carefully because it may move in a direction that could have negative impact on the city's financial condition.

Unfavorable – the trend is a warning and does not meet policy or performance measures set by the city. More information should be gathered and corrective actions should be taken as soon as possible.

Methodology

This report contains data from audited Comprehensive Annual Financial Reports (CAFR) from 2015 through 2019. The data includes revenue and expenditure information for general fund, special revenue funds, debt service funds, and other subsidiary funds.

When required for analysis, adjusting for inflation converts current dollars into constant dollars. The conversion from actual dollars to constant dollars allows for analyst to take in account the appearance growth due to inflation. For this report, the Consumer Price Index (CPI) tracks the prices of goods and services used by average wage earners in 2015.

	2015	2016	2017	2018	2019
Consumer Price Index	237.017	240.008	245.12	251.107	255.657
2015 Conversion Table	1	0.988	0.967	0.944	0.927
Cumulative Percent Change		1.246	3.306	5.611	7.291

The following formula and example reveal how to calculate to constant dollars:

$$\text{Conversion Factor} = \frac{2015 \text{ CPI}}{2019 \text{ CPI}} = \frac{237.017}{255.657} = 0.927$$

$$\text{Constant Dollar} = \text{Actual Dollar} * \text{Conversion Factor} = \$1000 * 0.927 = \$927$$

This means that \$1000 today would have been worth \$927 in 2015.

Indicators

For the analysis of the City of Sheboygan's fiscal condition, 12 indicators were identified for this report:

Description		Trend
Revenue Indicators	Property Tax Revenue	Favorable
	General Government Revenue (Actual vs. Budgeted)	Favorable
	Intergovernmental Revenue	Favorable
Expenditure	Expenditure per Capita	Favorable
	Expenditure per Function	Favorable
	Employees per Capita	Favorable
	Personnel Cost As a Percent of Expenditures	Favorable
	Fringe Benefits as a Percent of Personnel Costs	Favorable
Operating Position	General Fund Operating Surplus / Deficit	Favorable
	Fund Balance as a Percentage of Revenue	Favorable
Debt Position	Debt Service-related Property Tax Levy	Favorable
	Net Direct Debt to Debt Limit	Favorable

Revenue

Revenue determines the city's capability to bring funds necessary to providing services. Ideally, revenues grow at a rate equal to or greater than the combined effects of inflation and expenditures and are sufficiently diversified.

The General Fund is used to account for most of the government's activities, including Police, Fire, Administration, Public Works, Streets and Sanitation, and Parks. A significant portion of General Fund revenue comes from property taxes.

Intergovernmental revenue plays a significant role in the funding of service-based programming. While a vast majority of the intergovernmental revenue sources are state-derived, permanent in nature, and reasonably stable, a limited amount is not permanent. The city needs to monitor the development of Wisconsin State budgets and be prepared to deal with funding changes, especially during COVID-19, when budgets are volatile.

Indicators

- Property Tax Revenue
- General Government Revenue
- Intergovernmental Revenue

Expenditure

Expenditures are an approximate measure of the city's service output. Generally speaking, as the city provides more services or increases the quality of existing services, the city spends more. It is difficult to account for the quality or efficiency of services using this indicator. Ideally, the expenditure growth rate does not exceed the revenue growth rate and will have maximum spending flexibility to adjust to changing conditions.

Expenditure growth rates should generally be proportionate to revenue growth rates to ensure the city is living within its revenues. Expenditures should be flexible, allowing the city to adjust service levels to changing conditions. Mandatory costs like debt service payments, pension benefits, and mandates, can limit this flexibility. A growing number mandatory costs may negatively affect Sheboygan's ability to provide services that are reactive to changing social and economic conditions.

Indicators

- Expenditure per Capita
- Expenditure by Function
- Employees per Capita
- Personnel Cost
- Fringe Benefits

Operating Position

Operating position refers to Sheboygan's ability to maintain reserves for emergencies, and maintain sufficient cash to pay short-term obligations and bills. A city will generate an operating surplus (revenue exceeds expenditures) or deficit (expenditures exceeds revenue). These surpluses and deficits are created from policy decisions, imprecise revenue and expenditure forecasting, or trends in the local or national economy. Reserves are built through the accumulation of annual operational surpluses. These are maintained for a financial safety net in case of an event of loss of revenue source, natural disaster, economic downturn, etc. Having sufficient reserves allows for the city to be more flexible with its spending. Sheboygan has had an increase in uncommitted fund balances. Consequently, the city has used the balances as a funding source for one-time projects or purchases.

Indicators

- General Fund Surplus/Deficit
- Fund Balance as a Percentage of Revenue

Debt Structure

Debt structure is important for examining its expenditure obligations that must be satisfied when due. Debt is an effective tool to finance capital improvements and smooth short-term revenue flows. Under the right circumstances, the city's debt should be proportionate to the size and growth of the city's tax base. Sheboygan has relatively been able to maintain its repayment obligations and related favorable bond rating. However, projections based on the report findings would suggest that the city needs to closely monitor its future capital list and related debt issues.

Indicators

- Debt Service-related Property Tax Levy
- Net Direct Debt to Debt Limit

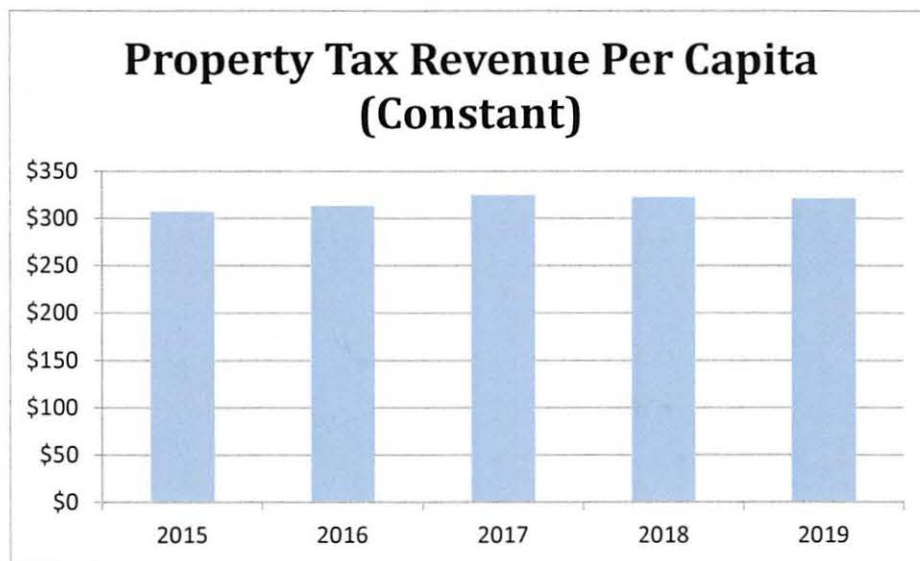
Revenue

Property Tax Revenue Per Capita: Favorable

Description—The City of Sheboygan is heavily reliant on property taxes, as is typical for many local governments. Revenue per capita illustrates how revenue changes relative to the change in population over time. Because property tax revenue is generally linked to population size, it can be expected that as the population size increases, the need for services will increase proportionately. If per capita revenue decreases, the city may be unable to maintain existing services unless it finds new sources of revenue. Thus, an unfavorable trend would be decreasing property tax revenues per capita.

Analysis—Over the past five years, property tax per capita has increased by approximately \$14. This decrease is primarily due to an increase between 2015 and 2017. Over the past three years, property tax per capita has remained steady, despite a slight drop in population.

Formula:
$$\frac{\text{Operating Revenue (Constant)}}{\text{Population}}$$



	2015	2016	2017	2018	2019
Property Tax	\$14,960,383	\$15,406,665	\$16,240,705	\$16,435,705	\$16,609,115
CPI Conversion	1	0.988	0.967	0.944	0.927
Property Tax (Constant)	\$14,960,383	\$15,214,666	\$15,703,831	\$15,513,472	\$15,398,141
Total Population	48,697	48,541	48,335	48,085	47,965
Property Tax Revenue Per Capita (Constant)	\$307.21	\$313.44	\$324.90	\$322.63	\$321.03

Conclusion—With a modest increase between 2015 and 2017 and relatively stable numbers since 2017, this trend is favorable.

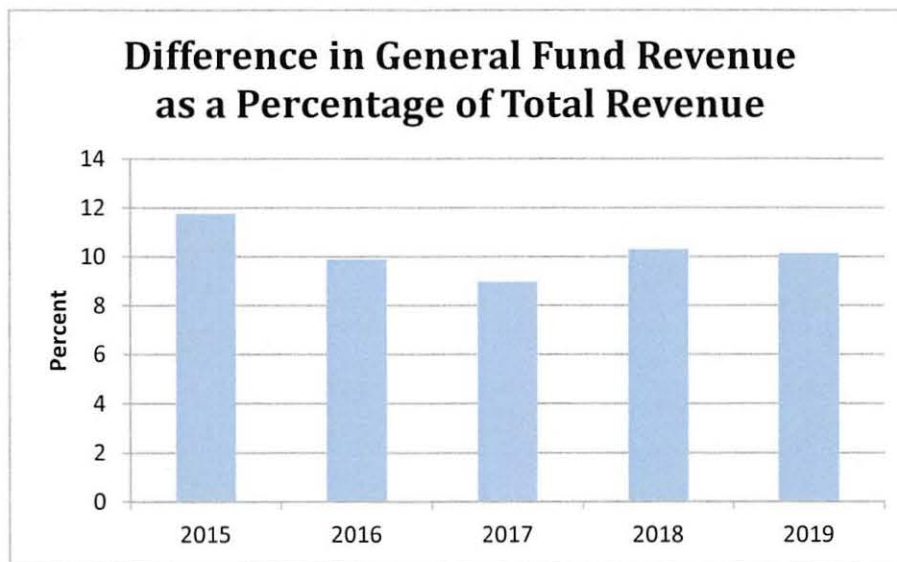
Revenue

General Fund Revenue, Actual vs. Budget: Favorable

Description—This indicator compares the budgeted General Fund revenue with the actual revenue received. Precise budgeting results in more efficient allocation of resources, making this a critical trend to analyze. An inconsistent underestimation of revenue means that the city may decide to increase property tax levy or applied fund balance more than necessary. An inconsistent overestimation of budget revenues can result in constraints on services and/or capital projects. Therefore, an unfavorable trend would be inconsistent estimations.

Analysis—The city has consistently underestimated General Fund revenue the past five years. Though this could be concerning if it was fluctuating significantly, it has held fairly stable, allowing officials to have an accurate idea of what revenues will look like year-to-year. Underestimating revenue in the budget has allowed the city to generally maintain a budget surplus.

Formula:
$$\frac{\text{Actual} - \text{Budgeted}}{\text{Actual}}$$



General Fund Revenue	2015	2016	2017	2018	2019
Actual	\$ 37,450,132	\$ 36,034,360	\$ 36,486,575	\$ 38,039,543	\$ 38,510,380
Budgeted	\$ 33,045,716	\$ 32,469,155	\$ 33,212,132	\$ 34,121,641	\$ 34,601,024
Difference	\$ 4,404,416	\$ 3,565,205	\$ 3,274,443	\$ 3,917,902	\$ 3,909,356
Percent Differences	11.76	9.89	8.97	10.30	10.15

Conclusion—This trend is favorable. The city consistently underestimates revenue, allowing for a consistent picture of revenue that makes achieving a surplus easier.

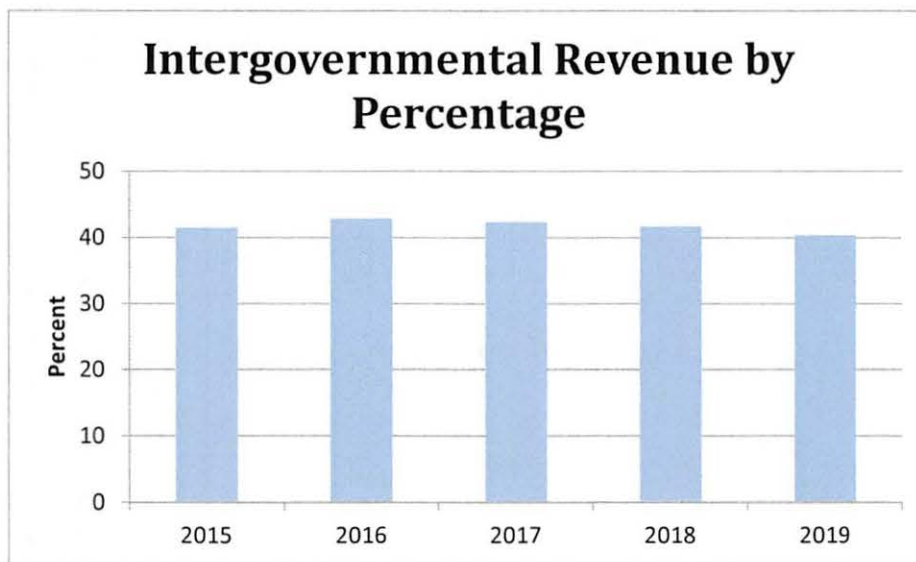
Revenue

Intergovernmental Revenue: Favorable

Description—Intergovernmental revenues are funds received from other governmental entities. An overdependence on intergovernmental revenue can have an adverse impact on financial condition due to restrictions or stipulations that the other governmental entities attach to the revenue. For instance, as federal and state governments struggle with their own budgetary problems, withdrawal or reduction of payments to local governments may serve as one of their cutback options. An unfavorable trend would be a substantial increase in intergovernmental revenue as a percent of net operating revenue.

Analysis—Sheboygan’s intergovernmental revenue as a percentage of the General Fund revenue is the city’s second largest category (with Taxes being the largest category). Over the past five years, the percent of intergovernmental revenue has been stable. In 2018, intergovernmental revenue increased by \$378,769 due in part to higher State Transportation Aids.

Formula:
$$\frac{\text{Intergovernmental Revenue}}{\text{Total Revenue}}$$



	2015	2016	2017	2018	2019
Intergovernmental Revenue	\$ 14,297,099	\$ 14,207,490	\$ 14,258,858	\$ 14,637,627	\$ 14,198,368
Total Revenue	\$ 37,450,132	\$ 36,034,360	\$ 36,486,575	\$ 38,039,543	\$ 38,510,380
Percentage	38.18	39.43	39.08	38.48	36.87

Conclusion—The city, similar to other Wisconsin municipalities, relies heavily on intergovernmental aid and grants for operating purposes, as the State of Wisconsin has restricted options of municipalities in generating additional direct revenue sources like sales and income taxes. Intergovernmental revenue, however, has remained fairly constant, making this a favorable trend.

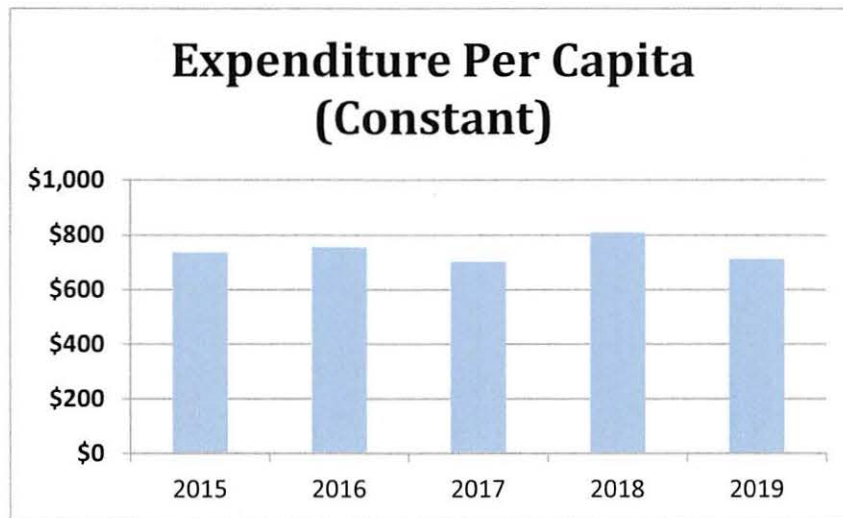
Expenditure

Expenditure per Capita: Favorable

Description—Expenditures per capita reflect changes of expenditures relative to the population. An increase in per capita may indicate that cost of providing services is exceeding the City’s ability to pay. If the increase in spending is greater than would be expected from continued inflation and cannot be explained by the addition of new services or an increase in the quality of services, it can be an indicator of declining productivity, whereby the government is spending more real dollars to support the same level of services. Thus, an unfavorable trend would be a consistent increase in net expenditure per capita without an expansion in service or an increase in the quality of service.

Analysis—General Fund expenditures per capita has fluctuated slightly since 2015, but has been fairly stable. The increase in 2018 can be accounted for by the expense of City Hall renovations and the increase in 2016 can be explained by a one-time transfer for county-provided dispatch services.

Formula:
$$\frac{\text{Expenditure (constant)}}{\text{Population}}$$



	2015	2016	2017	2018	2019
Expenditure (Constant)	\$ 35,859,473	\$ 36,606,894	\$ 33,952,034	\$ 39,610,915	\$ 34,202,342
Total Population	48,654	48,514	48,329	48,846	47,965
Expenditure Per Capita (Constant)	737.03	754.56	702.52	810.93	713.07

Conclusion—Expenditure per capita has remained relatively proportionate to inflation and shifts in population, and slight fluctuations can be explained, making this trend favorable.

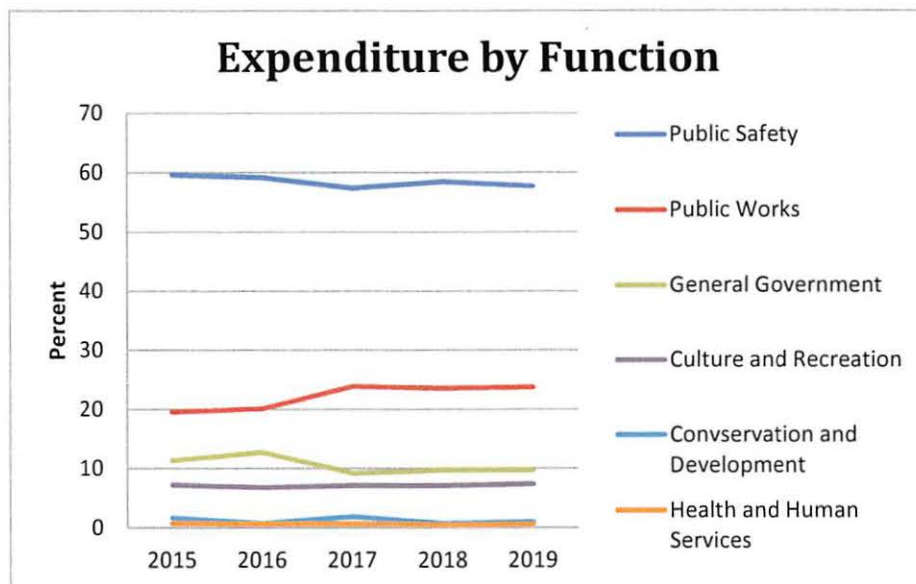
Expenditure

Expenditure by Function: Favorable

Description—Expenditures by function show a breakdown of the General Fund expenditures. This can help analyze causes of changes in expenditures over time by department. This indicator examines six broad categories of operation. An unfavorable trend would be an increase in one or more areas without an expansion of service or increase in the quality of service.

Analysis—The overall expenditures of the General Fund have been fairly stable with an average annual increase of less than 1 percent. (Please note the dollar amounts here have not been adjusted by the CPI Conversion). Health and Human Services and Conservation and Development experienced one-time expenses, accounting for their fluctuations. Public Works saw an increase in 2017; funding levels are accounted for and expected to continue at that level. Other categories have generally remained stable.

Formula:
$$\frac{\text{Expenditures}}{\text{Net Expenditures}}$$



Expenditure by Function	2015	2016	2017	2018	2019
Public Safety	\$ 20,481,643	\$ 21,920,893	\$ 20,153,962	\$ 21,258,978	\$ 21,303,703
Public Works	\$ 6,711,257	\$ 7,443,242	\$ 8,359,079	\$ 8,550,172	\$ 8,734,350
General Government	\$ 3,886,099	\$ 4,689,064	\$ 3,221,641	\$ 3,523,721	\$ 3,576,275
Culture and Recreation	\$ 2,470,759	\$ 2,521,890	\$ 2,502,128	\$ 2,589,426	\$ 2,706,354
Conservation and Development	\$ 565,125	\$ 257,317	\$ 646,478	\$ 348,915	\$ 365,965
Health and Human Services	\$ 233,341	\$ 233,451	\$ 221,626	\$ 188,887	\$ 197,734
Total	\$ 34,348,224	\$ 37,065,857	\$ 35,104,914	\$ 36,460,099	\$ 36,884,381

*Note that the expenditure totals shown here do not include outside transfers, like transfers in 2016 for emergency dispatch improvements and transfers in 2018 for City Hall renovations.

Conclusion—Expenditure shifts are either stable or accounted for, making this trend favorable.

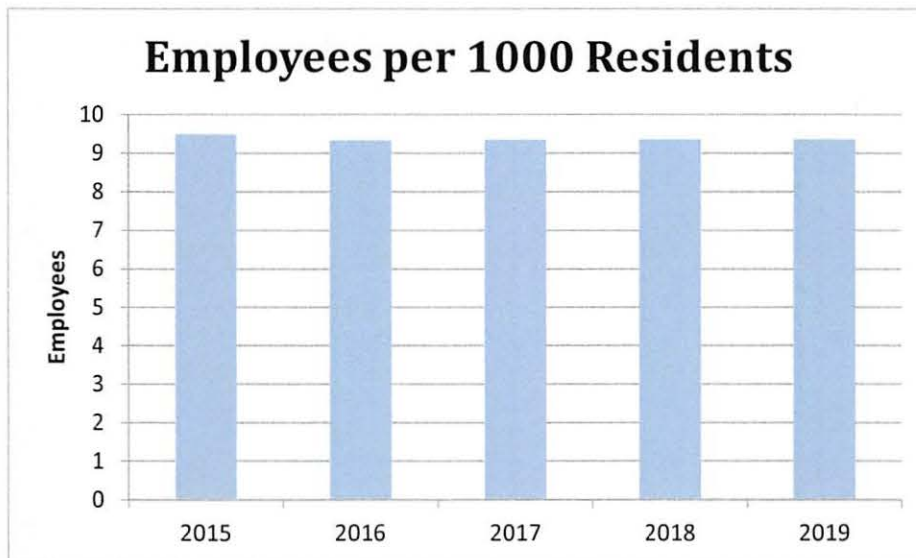
Expenditure

Employees per Capita: Favorable

Description—This measure represents total employees on the payroll system. Personnel costs are a major portion of local government’s operating budget. Therefore, plotting changes in the number of employees per capita is a good way to measure changes in expenditures. An increasing number of employees per capita can indicate that expenditures are rising faster than revenues, the government is become more labor intensive, or personnel productivity is declining. However, this could also indicate an increase in services or the quality of services. An unfavorable trend would be an increase in the number of employees per capita without an increase in services or the quality of services.

Analysis—Sheboygan’s municipal government number of employees has remained consistent over the past five years. With no material change in population, no material change in employees has occurred during this period.

Formula:
$$\frac{\text{Number of Municipal Employees}}{\text{Population}} * 1000$$



	2015	2016	2017	2018	2019
Number of Employees	462	453	452	450	449
Total Population	48,697	48,541	48,335	48,085	47,965
Employees per 1000 Residents	9.49	9.33	9.35	9.36	9.36

Conclusion—There have been no significant changes over the past five years. In addition, the city has had no significant service demand or program changes that would indicate a basis for an increase in municipal employment, like higher crime rates.

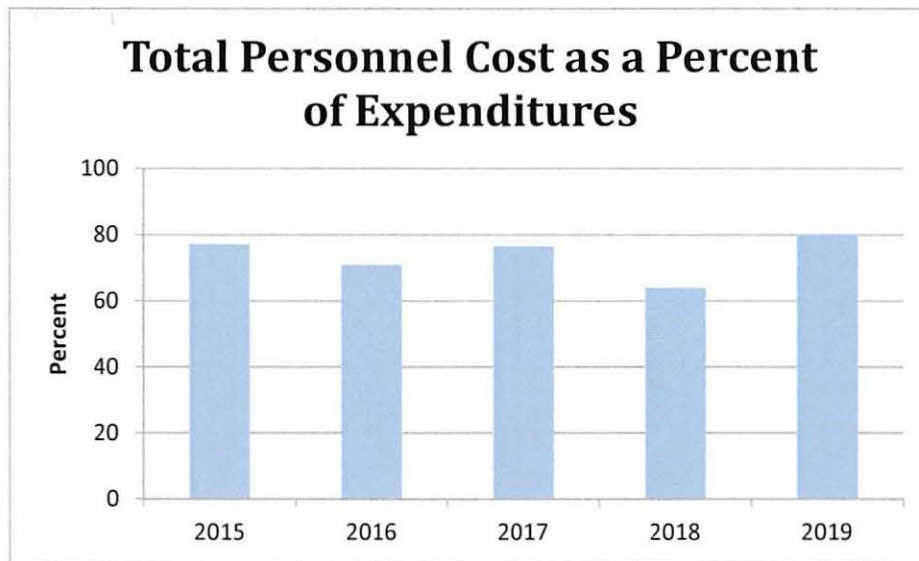
Expenditure

Personnel Cost as a Percentage of Expenditures: Favorable

Description—As part of the operating (General Fund) expenditure, personnel cost is reflective of the community’s ability to pay for the services government provides. In addition, plotting changes in the personnel cost is a good way to measure changes in expenditures. This is a measure of the average compensation, including benefits such as health care, social security, Medicare, and retirement for the average employee. An unfavorable trend would be a significant increase in personnel costs as a percent of general fund expenditures.

Analysis—To measure the average personnel cost, total personnel cost were divided by the total expenditures spent in that fiscal year. The average percentages of personnel costs have been relatively stable over the 2015 - 2019 period, except for a roughly 9% drop in 2018 caused by an increase in the total expenditure for City Hall renovations.

Formula:
$$\frac{\text{General Fund Wages and Benefits}}{\text{General Fund Expenditures}}$$



	2015	2016	2017	2018	2019
Total Personnel Cost	\$26,846,154	\$26,290,365	\$26,881,564	\$26,881,564	\$29,559,174
Total Expenditure	\$34,793,256	\$37,068,849	\$35,112,766	\$41,965,674	\$36,892,156
Percentage	77.16	70.92	76.56	64.06	80.12

*The 2016 Expenditure amount does not include a \$2.5 million transfer to Sheboygan County for capital costs associated with the transfer of emergency dispatch services.

Conclusion—This indicator receives a favorable trend. Expenditures and personnel costs have generally increased between 2015 and 2019, but they have done so proportionately, so total personnel cost as a percent of expenditures has remained fairly stable.

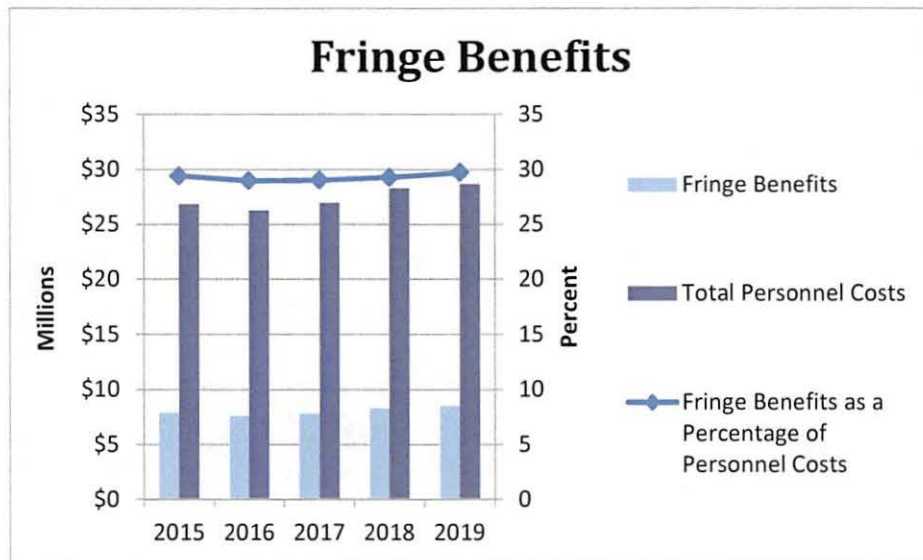
Expenditure

Fringe Benefits as a Percent of Personnel Costs: Favorable

Description—Fringe benefits represent a significant share of the city operating cost. Common forms of fringe benefits in Sheboygan are Social Security, retirement, unfunded pension liability, health insurance, life insurance, dental insurance, worker’s compensation, unemployment compensation, and clothing allowance. Monitoring fringe benefits will allow the city to isolate increasing costs and make adjustment where necessary. Funding and recording of fringe benefits often involves complex processes that may go unnoticed, straining the government’s finances. An unfavorable trend would be a significant increase in fringe benefits as a percentage of personnel costs.

Analysis—Since 2015, General Fund fringe benefits in comparison to General Fund wages and salaries have remained stable.

Formula:
$$\frac{\text{Fringe Benefits Expenditure}}{\text{Total Personnel Costs}}$$



	2015	2016	2017	2018	2019
Fringe Benefits	\$ 7,884,409	\$ 7,603,100	\$ 7,814,496	\$ 8,272,026	\$ 8,512,165
Total Personnel Costs	\$ 26,828,974	\$ 26,269,195	\$ 26,946,746	\$ 28,270,608	\$ 28,661,448
Percentage	29.39	28.94	29.00	29.26	29.70

Conclusion—Fringe benefit costs have increased at around the same inflationary rate as wages, making this trend stable and therefore favorable.

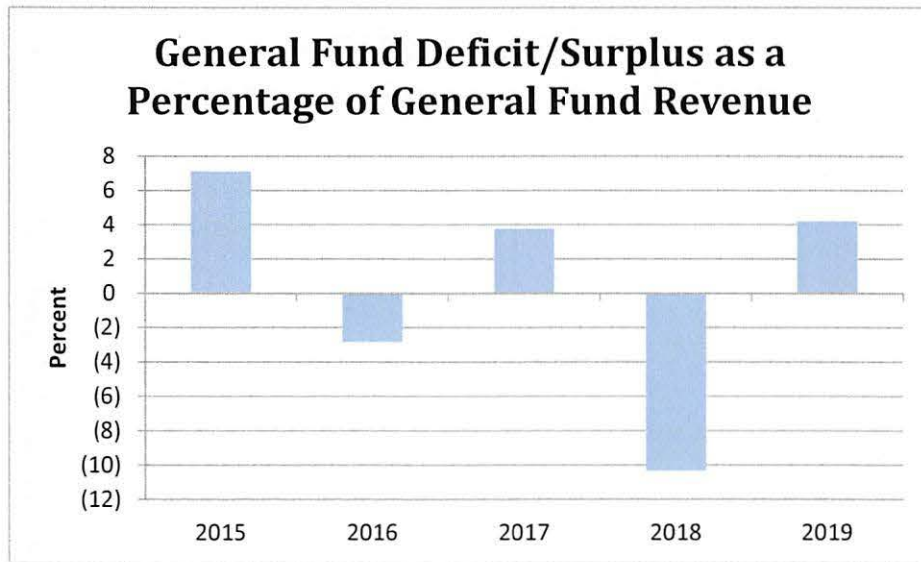
Operating Position

General Fund Operating Surplus or Deficit: Favorable

Description—As one of the basic measure of localities in operating position, this measure examines a city well-being in how much money was spent as compared with the amount that was brought in. A deficit occurs when expenditures exceed revenues. A deficit in one year may not be a cause for concern, but increasing and frequent deficits could indicate that revenues are not adequately supporting expenditures. Additionally, simple budgetary analysis like this does not always reveal a true deficit, as current expenditures can be financed by loans or certain accounting transactions. An unfavorable trend would be a repeated and increasing deficit.

Analysis—In 2016 and 2018, the Common Council supported one time contributions of \$2.5 million and \$5.5 million from the General Fund to support the development of a County centralized emergency dispatch center and City Hall renovations, respectively. It is the city’s normal practice to budget conservatively on its revenues and expenditures which usually results in end of year surpluses.

Formula:
$$\frac{GF\ Revenue - GF\ Expenditure}{GF\ Revenue}$$



	2015	2016	2017	2018	2019
GF Revenue	\$ 37,450,132	\$ 36,034,360	\$ 36,486,575	\$ 38,039,543	\$ 38,510,380
GF Expenditure	\$ 34,793,256	\$ 37,068,849	\$ 35,112,766	\$ 41,965,674	\$ 36,892,156
General Fund Deficit/Surplus	\$ 2,656,876	\$ (1,034,489)	\$ 1,373,809	\$ (3,926,131)	\$ 1,618,224
General Fund Deficit/Surplus as a Percentage	7.09	(2.87)	3.77	(10.32)	4.20

Conclusion—Due to the city’s high fund balance in the General Fund, this fund is frequently a source of revenue for one-time projects. Without the \$2.5 million and \$5.5 million transfers, both 2016 and 2018 would have respectively experienced a surplus - \$1,465,511 in 2016 and \$1,573,869 in 2018, making this trend favorable.

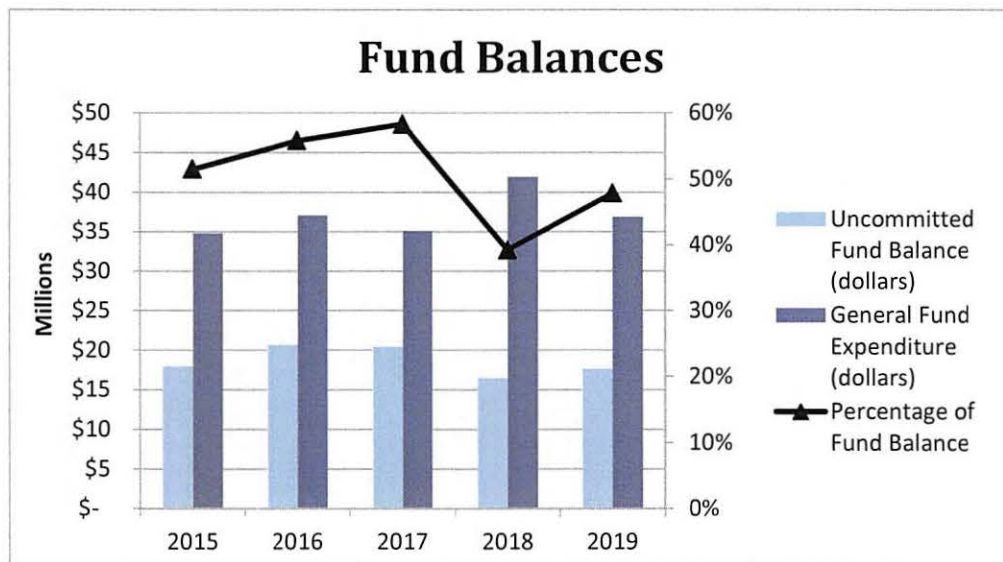
Operating Position

Fund Balance: Favorable

Description—Fund balances are excess of revenues over expenditures. Positive fund balances can also be thought of reserves, although they are not always available for appropriation. Reports may show allocations of fund balances as non-spendable, restricted, committed, assigned, and/or unassigned/uncommitted. An unfavorable trend would be a decline in unrestricted fund balances as a percentage of net operating revenues.

Analysis—The city’s financial policy includes a policy on uncommitted fund balance in the General Fund to be maintained at no less than 25 percent. The 2018 fund balance and the percent of fund balance were impacted by the use of \$5.5 million toward the City Hall renovation project. If the use of \$5.5 million did not occur, the uncommitted fund balance would be \$21,958,166 and the percentage of fund balance would be 60.22 percent. Prior to 2018, the trend for uncommitted fund balance reveals an upward trend. The percentage of fund balance in the General Fund had increased 7 percent in the past three years.

$$\text{Formula: } \frac{\text{Fund Balance}}{\text{General Fund Expenditure}}$$



	2015	2016	2017	2018	2019
Uncommitted Fund Balance (dollars)	\$ 17,905,924	\$ 20,678,879	\$ 20,461,650	\$ 16,458,166	\$ 17,636,540
Total Expenditure	\$ 34,793,256	\$ 37,068,849	\$ 35,112,766	\$ 41,965,674	\$ 36,892,156
Percentage of Fund Balance	51%	56%	58%	39%	48%

Conclusion—The percent of uncommitted fund balance in the General Fund is favorable. The maintenance of an adequate fund balance suggests that government operations are running smoothly. In addition, city’s ability to accumulate and maintain a fund balance at or above 25 percent is a good indicator of the city’s ability to withstand financial emergencies, such as a natural disaster or pandemic.

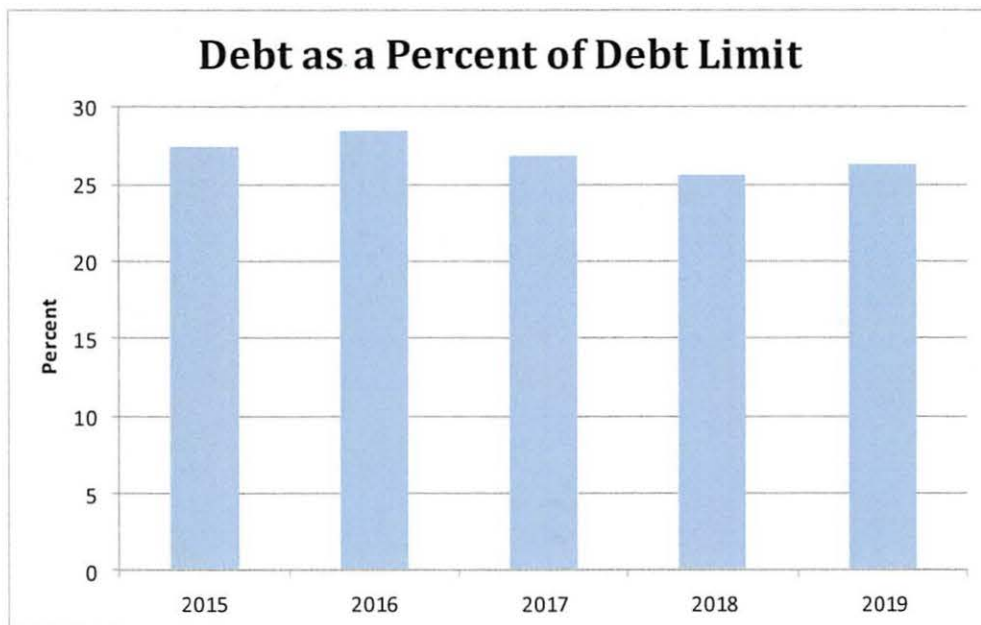
Debt Position

Net Direct Debt to Debt Limit: Favorable

Description—The net direct debt includes all debt backed by the city’s full faith and credit pledge, such as the general obligation bond. In Wisconsin, the debt capacity is limited by Wisconsin State Statutes to five percent of the equalized value. An unfavorable trend would be increasing GO debt as a percent of Wisconsin’s maximum debt capacity.

Analysis—General Obligation (GO) debt has increased by 14 percent from 2015 to 2019. Due to a similar (18 percent) increase in equalized valuation, the city’s Net Direct Debt to Equalized Value has remained relatively stable.

$$\text{Formula: } \frac{\text{GO Debt}}{\text{WI Limit of Equalized Value}}$$



	2015	2016	2017	2018	2019
GO Debt	\$33,075,255	\$34,834,561	\$35,174,580	\$36,039,627	\$38,457,359
WI Debt Limit of Equalized Value (5%)	\$120,376,600	\$122,309,695	\$130,980,250	\$140,495,000	\$145,961,965
Percentage of Debt Limit	27%	28%	27%	26%	26%

Conclusion—The Great Recession severely impacted the real estate market and the overall local economy. As evidenced by the increase in equalized property values, 2017 was the first year of property appreciation since 2008. Increases in equalized property valuation positively impact the city’s ability to incur additional debt. With the annual percent increase of equalized valuation exceeding the percent of increased debt, the city’s overall debt as a percentage of debt limit remains stable or slightly lower.

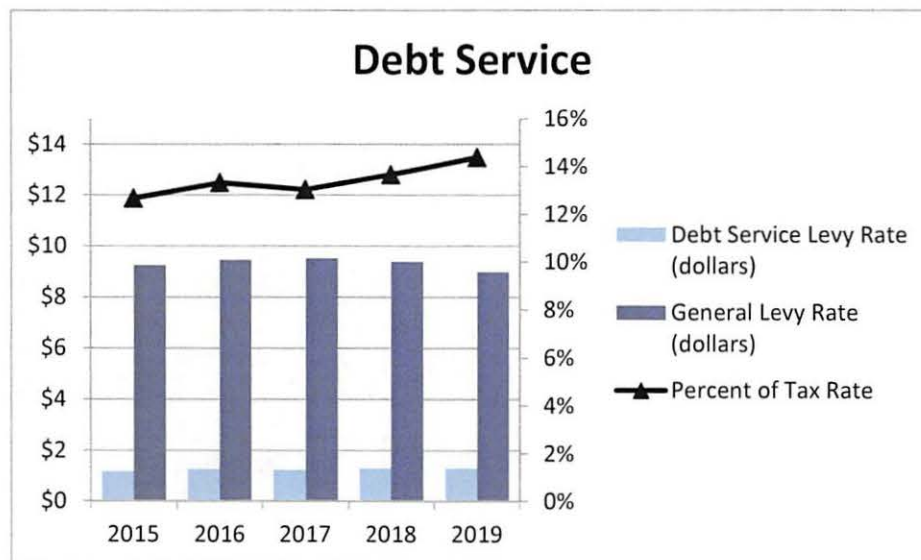
Debt Position

Debt Service as a Percentage of Property Tax Levy

Description—Debt Service as a Percentage of Property Tax Levy is the amount of principal and interest that the city pays each year on long and short-term (non-development and non-utility) debt with property tax levy. As debt service increases, it adds to the city’s obligations and reduces expenditure flexibility. In addition, debt service is a major part of the city’s fixed costs and any increase may indicate excessive debt and fiscal strain. Therefore, an unfavorable trend would be an increase in the debt service levy rate as a percent of the general levy rate.

Analysis—The share of the Property Tax Revenue (equalized tax rate) that is allocated to pay for debt service is stable. Although the tax rate has increased 12 cents per thousand dollar valuation since 2015, it remains relatively proportional to the overall tax rate between the years 2015 - 2019.

Formula:
$$\frac{\text{Debt Service Levy Rate}}{\text{General Levy Rate}}$$



	2015	2016	2017	2018	2019
Debt Service-related Tax Rate	\$1.17	\$1.26	\$1.24	\$1.28	\$1.29
Equalized Municipal Tax Rate	\$9.24	\$9.46	\$9.52	\$9.37	\$8.97
Percent of Tax Rate	13%	13%	13%	14%	14%

Conclusion—The city’s debt service which is funded by property taxes has been relatively stable as a percent of overall municipal property tax revenue. The percentage from 2015 – 2019 has increased by 1 percent. This resource reflects the traditional revenue source of debt service payments for General Obligation debt.

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: R.O. No. [redacted]-20-21 Submitting the Financial Trend Monitoring Analysis report for the years 2015 through 2019.

REPORT PREPARED BY: Darrell Hofland, City Administrator

REPORT DATE: July 1, 2020

MEETING DATE: July 13, 2020

FISCAL SUMMARY:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

STATUTORY REFERENCE:

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The International City/County Management Association (ICMA) has developed the Financial Trend Monitoring System (FTMS) as a method for monitoring the financial conditions of local government. The purpose of the city's report is to comprehensively examine the financial trends of the city and make any financial policy adjustment to improve its overall financial condition.

The report contains data from audited Comprehensive Annual Financial Reports (CAFR) from 2015-2019.

STAFF COMMENTS:

The attached report includes 12 revenue, expenditure, operating position, and debt position indicators. The report's analyses are favorable for all 12 indicator trends during the 5 year period.

ACTION REQUESTED:

Motion to recommend the Common Council receive R.O. No. [redacted]-20-21 and adopt the recommendation.

ATTACHMENTS:

- I. R.O. No. [redacted]-20-21



2020 Financial Trends Monitoring Analysis

July 2, 2020

Introduction

The Financial Trend Monitoring System (FTMS) was developed by the International City/County Management Association (ICMA) as a method for monitoring the financial condition of local government. The purpose of this report is to comprehensively examine the financial trends of the City of Sheboygan and make any financial policy adjustments to improve its overall financial condition. In accordance to the FTMS, generally accepted accounting standards were followed for the data presented in this report.

The report for this financial analysis is derived from the indicators described in the ICMA publication, “Evaluating Financial Condition”. The ICMA model examines four types of financial conditions:

1. Cash Solvency – the ability to pay bills over the next 60-90 days
2. Budgetary Solvency – the ability to cover expenditures with revenues and other resources over the normal budget period.
3. Long-term Solvency – the ability to pay not only the costs of doing business in the current year, but also those that will come due in future years.
4. Service-Level Solvency – the ability to provide services at the level and quality that are required for the health, safety, and welfare of the community and that citizen’s desire.

There are significant variations on how local governments manage their finances. This variation makes it challenging identify the standards and benchmark the indicators for local government. Therefore, it is almost certain that these standards and indicators are set up in accordance to local government goals, mission, and vision. For each indicator, they are characterized by an outcome described below:

Favorable – this trend is positive and meets policy or performance measures set by the city.

Caution – the trend is uncertain and should be watched carefully because it may move in a direction that could have negative impact on the city’s financial condition.

Unfavorable – the trend is a warning and does not meet policy or performance measures set by the city. More information should be gathered and corrective actions should be taken as soon as possible.

Methodology

This report contains data from audited Comprehensive Annual Financial Reports (CAFR) from 2015 through 2019. The data includes revenue and expenditure information for general fund, special revenue funds, debt service funds, and other subsidiary funds.

When required for analysis, adjusting for inflation converts current dollars into constant dollars. The conversion from actual dollars to constant dollars allows for analyst to take in account the appearance growth due to inflation. For this report, the Consumer Price Index (CPI) tracks the prices of goods and services used by average wage earners in 2015.

	2015	2016	2017	2018	2019
Consumer Price Index	237.017	240.008	245.12	251.107	255.657
2015 Conversion Table	1	0.988	0.967	0.944	0.927
Cumulative Percent Change		1.246	3.306	5.611	7.291

The following formula and example reveal how to calculate to constant dollars:

$$\text{Conversion Factor} = \frac{2015 \text{ CPI}}{2019 \text{ CPI}} = \frac{237.017}{255.657} = 0.927$$

$$\text{Constant Dollar} = \text{Actual Dollar} * \text{Conversion Factor} = \$1000 * 0.927 = \$927$$

This means that \$1000 today would have been worth \$927 in 2015.

Indicators

For the analysis of the City of Sheboygan's fiscal condition, 12 indicators were identified for this report:

Description		Trend
Revenue Indicators	Property Tax Revenue	Favorable
	General Government Revenue (Actual vs. Budgeted)	Favorable
	Intergovernmental Revenue	Favorable
Expenditure	Expenditure per Capita	Favorable
	Expenditure per Function	Favorable
	Employees per Capita	Favorable
	Personnel Cost As a Percent of Expenditures	Favorable
	Fringe Benefits as a Percent of Personnel Costs	Favorable
Operating Position	General Fund Operating Surplus / Deficit	Favorable
	Fund Balance as a Percentage of Revenue	Favorable
Debt Position	Debt Service-related Property Tax Levy	Favorable
	Net Direct Debt to Debt Limit	Favorable

Revenue

Revenue determines the city's capability to bring funds necessary to providing services. Ideally, revenues grow at a rate equal to or greater than the combined effects of inflation and expenditures and are sufficiently diversified.

The General Fund is used to account for most of the government's activities, including Police, Fire, Administration, Public Works, Streets and Sanitation, and Parks. A significant portion of General Fund revenue comes from property taxes.

Intergovernmental revenue plays a significant role in the funding of service-based programming. While a vast majority of the intergovernmental revenue sources are state-derived, permanent in nature, and reasonably stable, a limited amount is not permanent. The city needs to monitor the development of Wisconsin State budgets and be prepared to deal with funding changes, especially during COVID-19, when budgets are volatile.

Indicators

- Property Tax Revenue
- General Government Revenue
- Intergovernmental Revenue

Expenditure

Expenditures are an approximate measure of the city's service output. Generally speaking, as the city provides more services or increases the quality of existing services, the city spends more. It is difficult to account for the quality or efficiency of services using this indicator. Ideally, the expenditure growth rate does not exceed the revenue growth rate and will have maximum spending flexibility to adjust to changing conditions.

Expenditure growth rates should generally be proportionate to revenue growth rates to ensure the city is living within its revenues. Expenditures should be flexible, allowing the city to adjust service levels to changing conditions. Mandatory costs like debt service payments, pension benefits, and mandates, can limit this flexibility. A growing number mandatory costs may negatively affect Sheboygan's ability to provide services that are reactive to changing social and economic conditions.

Indicators

- Expenditure per Capita
- Expenditure by Function
- Employees per Capita
- Personnel Cost
- Fringe Benefits

Operating Position

Operating position refers to Sheboygan's ability to maintain reserves for emergencies, and maintain sufficient cash to pay short-term obligations and bills. A city will generate an operating surplus (revenue exceeds expenditures) or deficit (expenditures exceeds revenue). These surpluses and deficits are created from policy decisions, imprecise revenue and expenditure forecasting, or trends in the local or national economy. Reserves are built through the accumulation of annual operational surpluses. These are maintained for a financial safety net in case of an event of loss of revenue source, natural disaster, economic downturn, etc. Having sufficient reserves allows for the city to be more flexible with its spending. Sheboygan has had an increase in uncommitted fund balances. Consequently, the city has used the balances as a funding source for one-time projects or purchases.

Indicators

- General Fund Surplus/Deficit
- Fund Balance as a Percentage of Revenue

Debt Structure

Debt structure is important for examining its expenditure obligations that must be satisfied when due. Debt is an effective tool to finance capital improvements and smooth short-term revenue flows. Under the right circumstances, the city's debt should be proportionate to the size and growth of the city's tax base. Sheboygan has relatively been able to maintain its repayment obligations and related favorable bond rating. However, projections based on the report findings would suggest that the city needs to closely monitor its future capital list and related debt issues.

Indicators

- Debt Service-related Property Tax Levy
- Net Direct Debt to Debt Limit

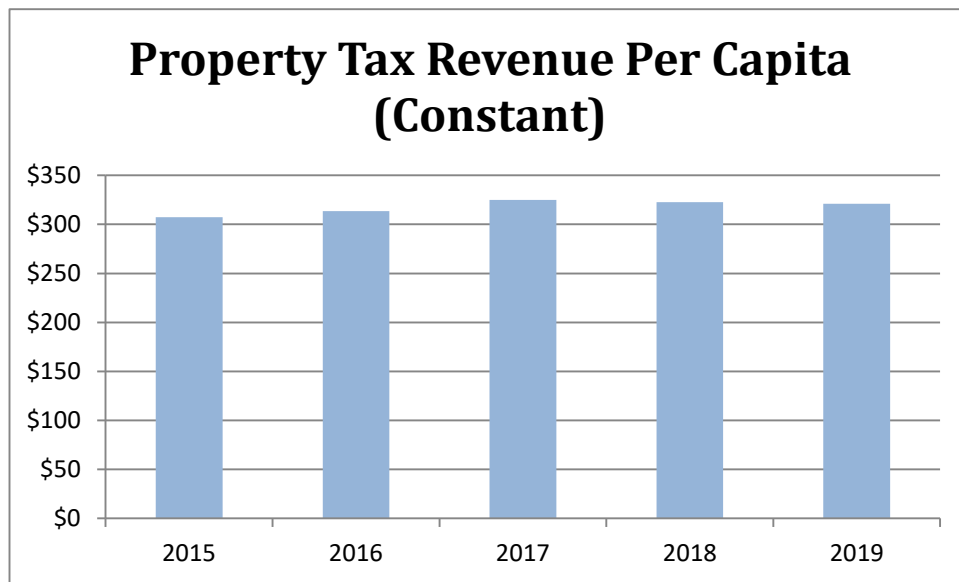
Revenue

Property Tax Revenue Per Capita: Favorable

Description—The City of Sheboygan is heavily reliant on property taxes, as is typical for many local governments. Revenue per capita illustrates how revenue changes relative to the change in population over time. Because property tax revenue is generally linked to population size, it can be expected that as the population size increases, the need for services will increase proportionately. If per capita revenue decreases, the city may be unable to maintain existing services unless it finds new sources of revenue. Thus, an unfavorable trend would be decreasing property tax revenues per capita.

Analysis—Over the past five years, property tax per capita has increased by approximately \$14. This decrease is primarily due to an increase between 2015 and 2017. Over the past three years, property tax per capita has remained steady, despite a slight drop in population.

Formula:
$$\frac{\text{Operating Revenue (Constant)}}{\text{Population}}$$



	2015	2016	2017	2018	2019
Property Tax	\$14,960,383	\$15,406,665	\$16,240,705	\$16,435,705	\$16,609,115
CPI Conversion	1	0.988	0.967	0.944	0.927
Property Tax (Constant)	\$14,960,383	\$15,214,666	\$15,703,831	\$15,513,472	\$15,398,141
Total Population	48,697	48,541	48,335	48,085	47,965
Property Tax Revenue Per Capita (Constant)	\$307.21	\$313.44	\$324.90	\$322.63	\$321.03

Conclusion—With a modest increase between 2015 and 2017 and relatively stable numbers since 2017, this trend is favorable.

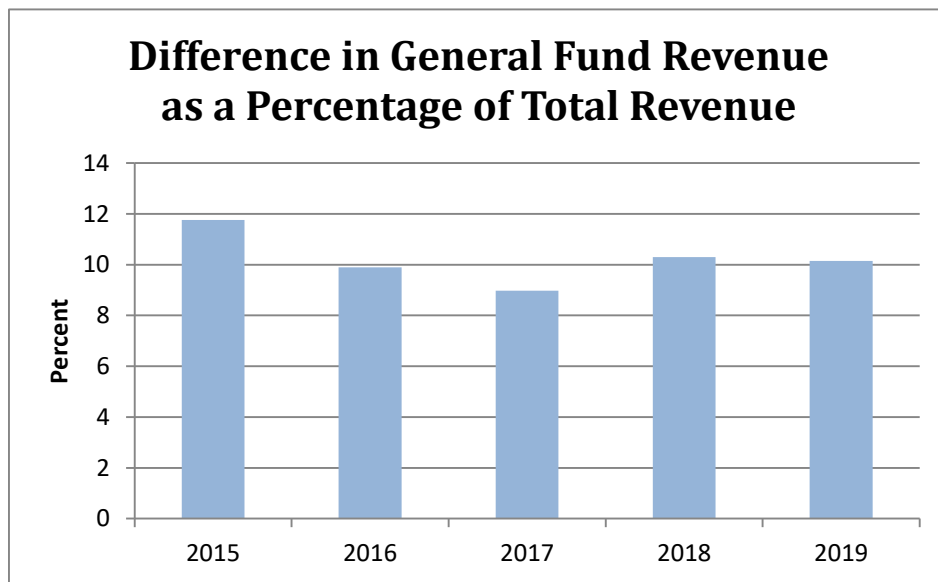
Revenue

General Fund Revenue, Actual vs. Budget: Favorable

Description—This indicator compares the budgeted General Fund revenue with the actual revenue received. Precise budgeting results in more efficient allocation of resources, making this a critical trend to analyze. An inconsistent underestimation of revenue means that the city may decide to increase property tax levy or applied fund balance more than necessary. An inconsistent overestimation of budget revenues can result in constraints on services and/or capital projects. Therefore, an unfavorable trend would be inconsistent estimations.

Analysis—The city has consistently underestimated General Fund revenue the past five years. Though this could be concerning if it was fluctuating significantly, it has held fairly stable, allowing officials to have an accurate idea of what revenues will look like year-to-year. Underestimating revenue in the budget has allowed the city to generally maintain a budget surplus.

Formula:
$$\frac{\text{Actual} - \text{Budgeted}}{\text{Actual}}$$



General Fund Revenue	2015	2016	2017	2018	2019
Actual	\$ 37,450,132	\$ 36,034,360	\$ 36,486,575	\$ 38,039,543	\$ 38,510,380
Budgeted	\$ 33,045,716	\$ 32,469,155	\$ 33,212,132	\$ 34,121,641	\$ 34,601,024
Difference	\$ 4,404,416	\$ 3,565,205	\$ 3,274,443	\$ 3,917,902	\$ 3,909,356
Percent Differences	11.76	9.89	8.97	10.30	10.15

Conclusion—This trend is favorable. The city consistently underestimates revenue, allowing for a consistent picture of revenue that makes achieving a surplus easier.

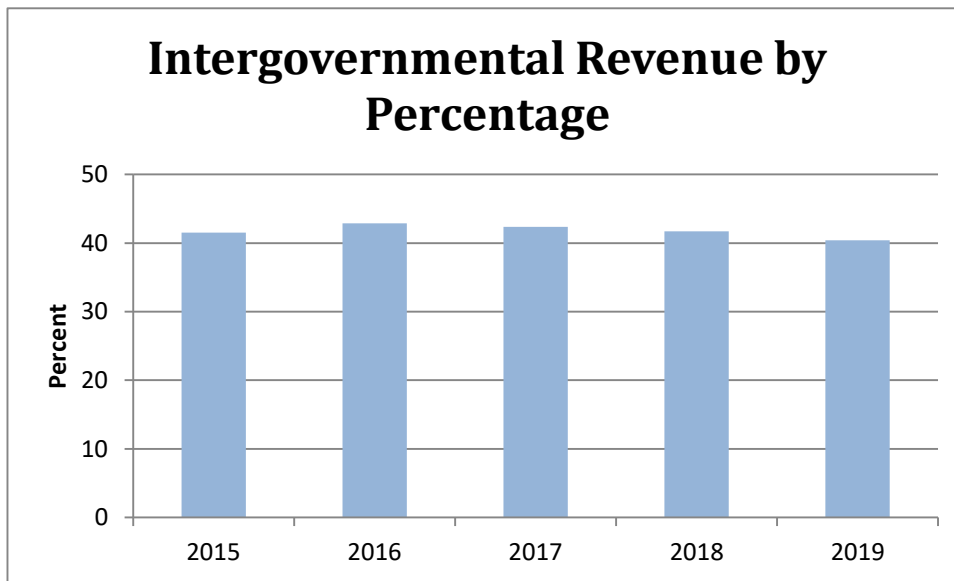
Revenue

Intergovernmental Revenue: Favorable

Description—Intergovernmental revenues are funds received from other governmental entities. An overdependence on intergovernmental revenue can have an adverse impact on financial condition due to restrictions or stipulations that the other governmental entities attach to the revenue. For instance, as federal and state governments struggle with their own budgetary problems, withdrawal or reduction of payments to local governments may serve as one of their cutback options. An unfavorable trend would be a substantial increase in intergovernmental revenue as a percent of net operating revenue.

Analysis—Sheboygan’s intergovernmental revenue as a percentage of the General Fund revenue is the city’s second largest category (with Taxes being the largest category). Over the past five years, the percent of intergovernmental revenue has been stable. In 2018, intergovernmental revenue increased by \$378,769 due in part to higher State Transportation Aids.

Formula:
$$\frac{\text{Intergovernmental Revenue}}{\text{Total Revenue}}$$



	2015	2016	2017	2018	2019
Intergovernmental Revenue	\$ 14,297,099	\$ 14,207,490	\$ 14,258,858	\$ 14,637,627	\$ 14,198,368
Total Revenue	\$ 37,450,132	\$ 36,034,360	\$ 36,486,575	\$ 38,039,543	\$ 38,510,380
Percentage	38.18	39.43	39.08	38.48	36.87

Conclusion—The city, similar to other Wisconsin municipalities, relies heavily on intergovernmental aid and grants for operating purposes, as the State of Wisconsin has restricted options of municipalities in generating additional direct revenue sources like sales and income taxes. Intergovernmental revenue, however, has remained fairly constant, making this a favorable trend.

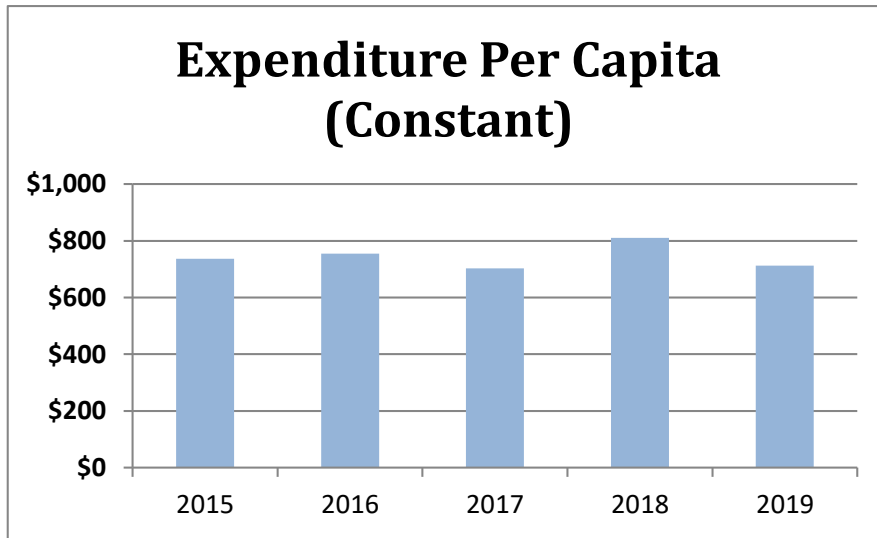
Expenditure

Expenditure per Capita: Favorable

Description—Expenditures per capita reflect changes of expenditures relative to the population. An increase in per capita may indicate that cost of providing services is exceeding the City’s ability to pay. If the increase in spending is greater than would be expected from continued inflation and cannot be explained by the addition of new services or an increase in the quality of services, it can be an indicator of declining productivity, whereby the government is spending more real dollars to support the same level of services. Thus, an unfavorable trend would be a consistent increase in net expenditure per capita without an expansion in service or an increase in the quality of service.

Analysis—General Fund expenditures per capita has fluctuated slightly since 2015, but has been fairly stable. The increase in 2018 can be accounted for by the expense of City Hall renovations and the increase in 2016 can be explained by a one-time transfer for county-provided dispatch services.

Formula:
$$\frac{\text{Expenditure (constant)}}{\text{Population}}$$



	2015	2016	2017	2018	2019
Expenditure (Constant)	\$ 35,859,473	\$ 36,606,894	\$ 33,952,034	\$ 39,610,915	\$ 34,202,342
Total Population	48,654	48,514	48,329	48,846	47,965
Expenditure Per Capita (Constant)	737.03	754.56	702.52	810.93	713.07

Conclusion—Expenditure per capita has remained relatively proportionate to inflation and shifts in population, and slight fluctuations can be explained, making this trend favorable.

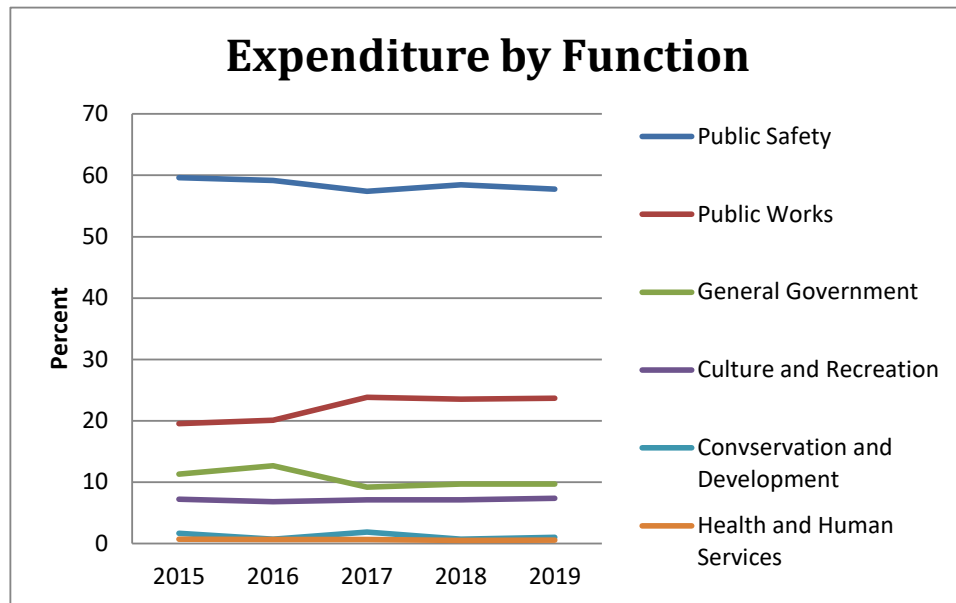
Expenditure

Expenditure by Function: Favorable

Description—Expenditures by function show a breakdown of the General Fund expenditures. This can help analyze causes of changes in expenditures over time by department. This indicator examines six broad categories of operation. An unfavorable trend would be an increase in one or more areas without an expansion of service or increase in the quality of service.

Analysis—The overall expenditures of the General Fund have been fairly stable with an average annual increase of less than 1 percent. (Please note the dollar amounts here have not been adjusted by the CPI Conversion). Health and Human Services and Conservation and Development experienced one-time expenses, accounting for their fluctuations. Public Works saw an increase in 2017; funding levels are accounted for and expected to continue at that level. Other categories have generally remained stable.

Formula:
$$\frac{\text{Expenditures}}{\text{Net Expenditures}}$$



Expenditure by Function	2015	2016	2017	2018	2019
Public Safety	\$ 20,481,643	\$ 21,920,893	\$ 20,153,962	\$ 21,258,978	\$ 21,303,703
Public Works	\$ 6,711,257	\$ 7,443,242	\$ 8,359,079	\$ 8,550,172	\$ 8,734,350
General Government	\$ 3,886,099	\$ 4,689,064	\$ 3,221,641	\$ 3,523,721	\$ 3,576,275
Culture and Recreation	\$ 2,470,759	\$ 2,521,890	\$ 2,502,128	\$ 2,589,426	\$ 2,706,354
Conservation and Development	\$ 565,125	\$ 257,317	\$ 646,478	\$ 348,915	\$ 365,965
Health and Human Services	\$ 233,341	\$ 233,451	\$ 221,626	\$ 188,887	\$ 197,734
Total	\$ 34,348,224	\$ 37,065,857	\$ 35,104,914	\$ 36,460,099	\$ 36,884,381

*Note that the expenditure totals shown here do not include outside transfers, like transfers in 2016 for emergency dispatch improvements and transfers in 2018 for City Hall renovations.

Conclusion—Expenditure shifts are either stable or accounted for, making this trend favorable.

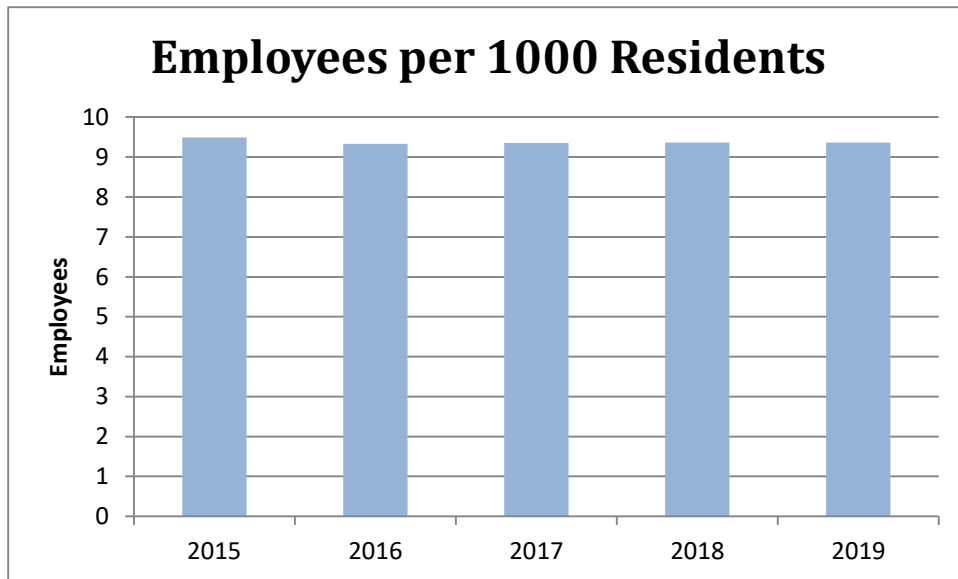
Expenditure

Employees per Capita: Favorable

Description—This measure represents total employees on the payroll system. Personnel costs are a major portion of local government’s operating budget. Therefore, plotting changes in the number of employees per capita is a good way to measure changes in expenditures. An increasing number of employees per capita can indicate that expenditures are rising faster than revenues, the government is become more labor intensive, or personnel productivity is declining. However, this could also indicate an increase in services or the quality of services. An unfavorable trend would be an increase in the number of employees per capita without an increase in services or the quality of services.

Analysis—Sheboygan’s municipal government number of employees has remained consistent over the past five years. With no material change in population, no material change in employees has occurred during this period.

Formula: $\frac{\text{Number of Municipal Employees}}{\text{Population}} * 1000$



	2015	2016	2017	2018	2019
Number of Employees	462	453	452	450	449
Total Population	48,697	48,541	48,335	48,085	47,965
Employees per 1000 Residents	9.49	9.33	9.35	9.36	9.36

Conclusion—There have been no significant changes over the past five years. In addition, the city has had no significant service demand or program changes that would indicate a basis for an increase in municipal employment, like higher crime rates.

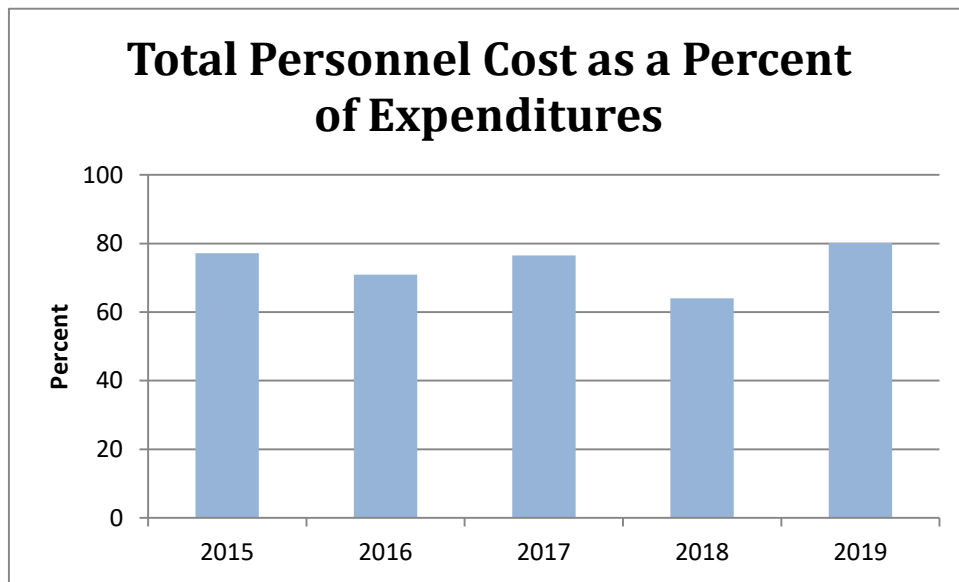
Expenditure

Personnel Cost as a Percentage of Expenditures: Favorable

Description—As part of the operating (General Fund) expenditure, personnel cost is reflective of the community’s ability to pay for the services government provides. In addition, plotting changes in the personnel cost is a good way to measure changes in expenditures. This is a measure of the average compensation, including benefits such as health care, social security, Medicare, and retirement for the average employee. An unfavorable trend would be a significant increase in personnel costs as a percent of general fund expenditures.

Analysis—To measure the average personnel cost, total personnel cost were divided by the total expenditures spent in that fiscal year. The average percentages of personnel costs have been relatively stable over the 2015 - 2019 period, except for a roughly 9% drop in 2018 caused by an increase in the total expenditure for City Hall renovations.

Formula:
$$\frac{\text{General Fund Wages and Benefits}}{\text{General Fund Expenditures}}$$



	2015	2016	2017	2018	2019
Total Personnel Cost	\$26,846,154	\$26,290,365	\$26,881,564	\$26,881,564	\$29,559,174
Total Expenditure	\$34,793,256	\$37,068,849	\$35,112,766	\$41,965,674	\$36,892,156
Percentage	77.16	70.92	76.56	64.06	80.12

*The 2016 Expenditure amount does not include a \$2.5 million transfer to Sheboygan County for capital costs associated with the transfer of emergency dispatch services.

Conclusion—This indicator receives a favorable trend. Expenditures and personnel costs have generally increased between 2015 and 2019, but they have done so proportionately, so total personnel cost as a percent of expenditures has remained fairly stable.

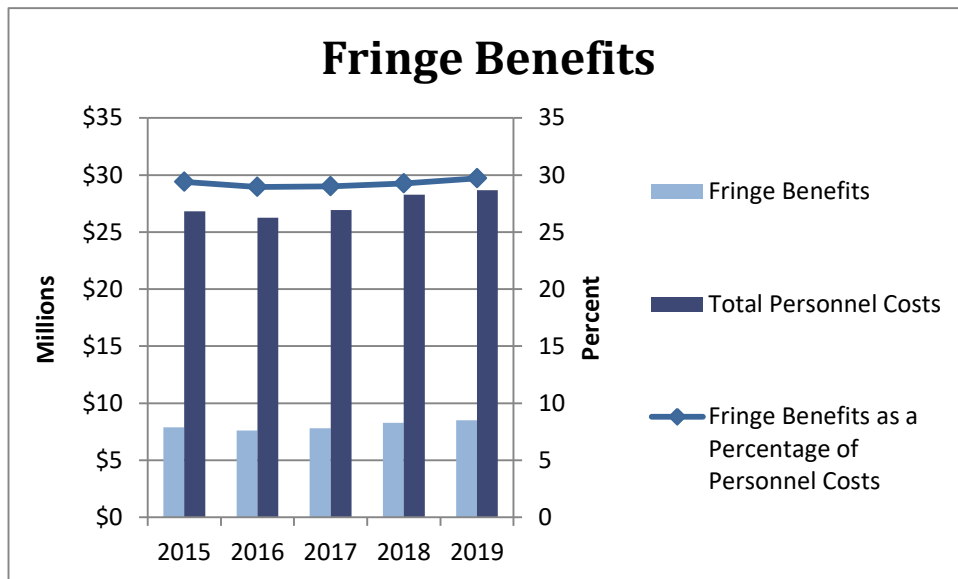
Expenditure

Fringe Benefits as a Percent of Personnel Costs: Favorable

Description—Fringe benefits represent a significant share of the city operating cost. Common forms of fringe benefits in Sheboygan are Social Security, retirement, unfunded pension liability, health insurance, life insurance, dental insurance, worker’s compensation, unemployment compensation, and clothing allowance. Monitoring fringe benefits will allow the city to isolate increasing costs and make adjustment where necessary. Funding and recording of fringe benefits often involves complex processes that may go unnoticed, straining the government’s finances. An unfavorable trend would be a significant increase in fringe benefits as a percentage of personnel costs.

Analysis—Since 2015, General Fund fringe benefits in comparison to General Fund wages and salaries have remained stable.

Formula:
$$\frac{\text{Fringe Benefits Expenditure}}{\text{Total Personnel Costs}}$$



	2015	2016	2017	2018	2019
Fringe Benefits	\$ 7,884,409	\$ 7,603,100	\$ 7,814,496	\$ 8,272,026	\$ 8,512,165
Total Personnel Costs	\$ 26,828,974	\$ 26,269,195	\$ 26,946,746	\$ 28,270,608	\$ 28,661,448
Percentage	29.39	28.94	29.00	29.26	29.70

Conclusion—Fringe benefit costs have increased at around the same inflationary rate as wages, making this trend stable and therefore favorable.

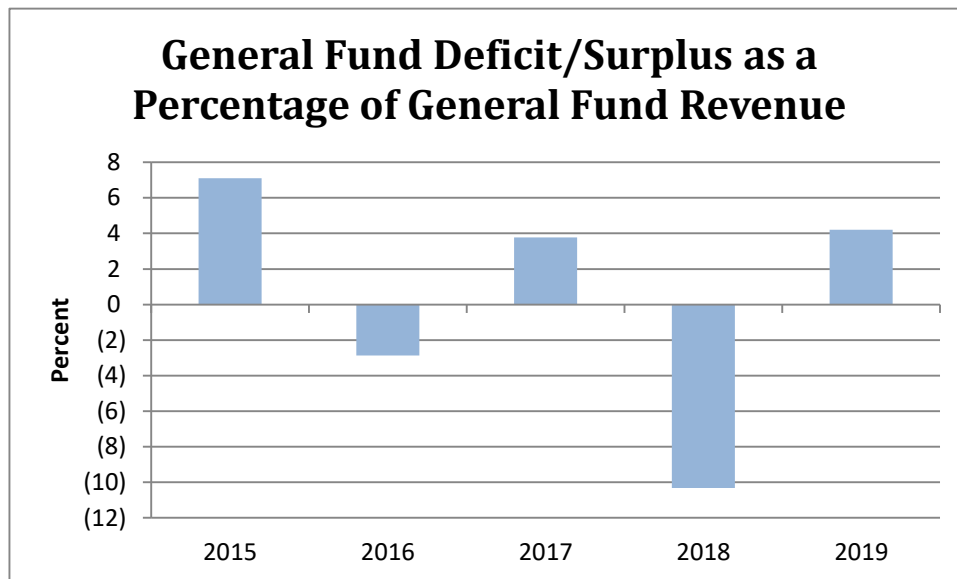
Operating Position

General Fund Operating Surplus or Deficit: Favorable

Description—As one of the basic measure of localities in operating position, this measure examines a city well-being in how much money was spent as compared with the amount that was brought in. A deficit occurs when expenditures exceed revenues. A deficit in one year may not be a cause for concern, but increasing and frequent deficits could indicate that revenues are not adequately supporting expenditures. Additionally, simple budgetary analysis like this does not always reveal a true deficit, as current expenditures can be financed by loans or certain accounting transactions. An unfavorable trend would be a repeated and increasing deficit.

Analysis—In 2016 and 2018, the Common Council supported one time contributions of \$2.5 million and \$5.5 million from the General Fund to support the development of a County centralized emergency dispatch center and City Hall renovations, respectively. It is the city’s normal practice to budget conservatively on its revenues and expenditures which usually results in end of year surpluses.

Formula:
$$\frac{GF\ Revenue - GF\ Expenditure}{GF\ Revenue}$$



	2015	2016	2017	2018	2019
GF Revenue	\$ 37,450,132	\$ 36,034,360	\$ 36,486,575	\$ 38,039,543	\$ 38,510,380
GF Expenditure	\$ 34,793,256	\$ 37,068,849	\$ 35,112,766	\$ 41,965,674	\$ 36,892,156
General Fund Deficit/Surplus	\$ 2,656,876	\$ (1,034,489)	\$ 1,373,809	\$ (3,926,131)	\$ 1,618,224
General Fund Deficit/Surplus as a Percentage	7.09	(2.87)	3.77	(10.32)	4.20

Conclusion—Due to the city’s high fund balance in the General Fund, this fund is frequently a source of revenue for one-time projects. Without the \$2.5 million and \$5.5 million transfers, both 2016 and 2018 would have respectively experienced a surplus - \$1,465,511 in 2016 and \$1,573,869 in 2018, making this trend favorable.

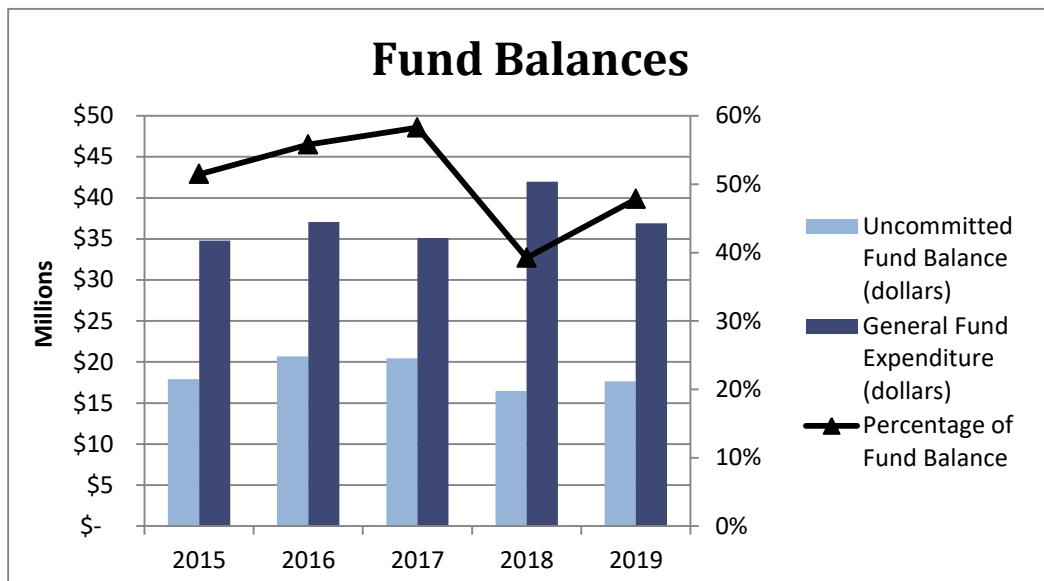
Operating Position

Fund Balance: Favorable

Description—Fund balances are excess of revenues over expenditures. Positive fund balances can also be thought of reserves, although they are not always available for appropriation. Reports may show allocations of fund balances as non-spendable, restricted, committed, assigned, and/or unassigned/uncommitted. An unfavorable trend would be a decline in unrestricted fund balances as a percentage of net operating revenues.

Analysis—The city’s financial policy includes a policy on uncommitted fund balance in the General Fund to be maintained at no less than 25 percent. The 2018 fund balance and the percent of fund balance were impacted by the use of \$5.5 million toward the City Hall renovation project. If the use of \$5.5 million did not occur, the uncommitted fund balance would be \$21,958,166 and the percentage of fund balance would be 60.22 percent. Prior to 2018, the trend for uncommitted fund balance reveals an upward trend. The percentage of fund balance in the General Fund had increased 7 percent in the past three years.

Formula:
$$\frac{\text{Fund Balance}}{\text{General Fund Expenditure}}$$



	2015	2016	2017	2018	2019
Uncommitted Fund Balance (dollars)	\$ 17,905,924	\$ 20,678,879	\$ 20,461,650	\$ 16,458,166	\$ 17,636,540
Total Expenditure	\$ 34,793,256	\$ 37,068,849	\$ 35,112,766	\$ 41,965,674	\$ 36,892,156
Percentage of Fund Balance	51%	56%	58%	39%	48%

Conclusion—The percent of uncommitted fund balance in the General Fund is favorable. The maintenance of an adequate fund balance suggests that government operations are running smoothly. In addition, city’s ability to accumulate and maintain a fund balance at or above 25 percent is a good indicator of the city’s ability to withstand financial emergencies, such as a natural disaster or pandemic.

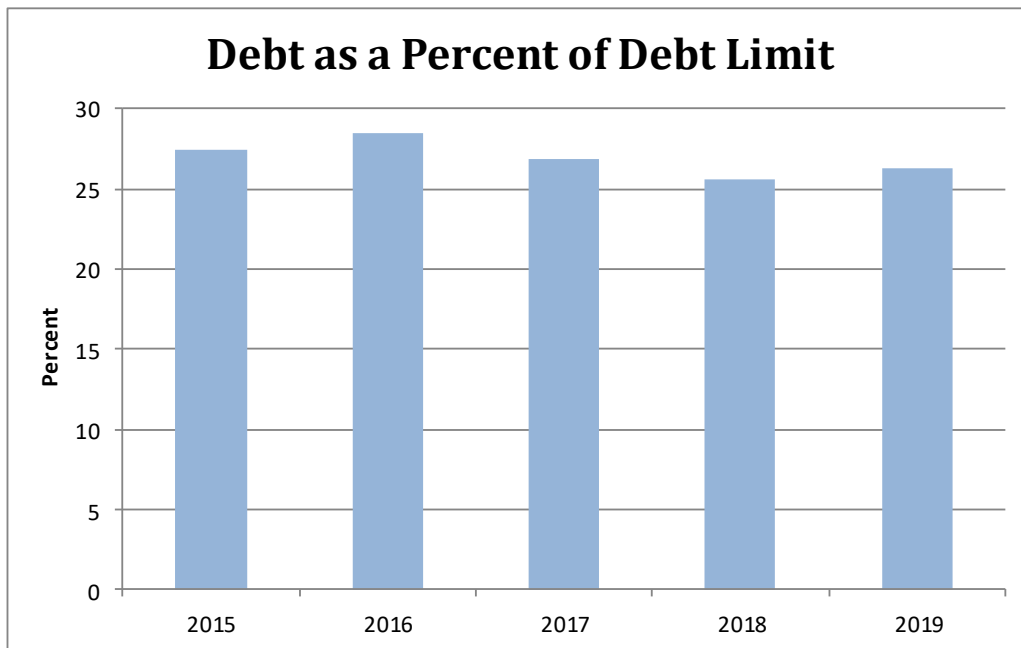
Debt Position

Net Direct Debt to Debt Limit: Favorable

Description—The net direct debt includes all debt backed by the city’s full faith and credit pledge, such as the general obligation bond. In Wisconsin, the debt capacity is limited by Wisconsin State Statutes to five percent of the equalized value. An unfavorable trend would be increasing GO debt as a percent of Wisconsin’s maximum debt capacity.

Analysis—General Obligation (GO) debt has increased by 14 percent from 2015 to 2019. Due to a similar (18 percent) increase in equalized valuation, the city’s Net Direct Debt to Equalized Value has remained relatively stable.

Formula:
$$\frac{GO\ Debt}{WI\ Limit\ of\ Equalized\ Value}$$



	2015	2016	2017	2018	2019
GO Debt	\$33,075,255	\$34,834,561	\$35,174,580	\$36,039,627	\$38,457,359
WI Debt Limit of Equalized Value (5%)	\$120,376,600	\$122,309,695	\$130,980,250	\$140,495,000	\$145,961,965
Percentage of Debt Limit	27%	28%	27%	26%	26%

Conclusion—The Great Recession severely impacted the real estate market and the overall local economy. As evidenced by the increase in equalized property values, 2017 was the first year of property appreciation since 2008. Increases in equalized property valuation positively impact the city’s ability to incur additional debt. With the annual percent increase of equalized valuation exceeding the percent of increased debt, the city’s overall debt as a percentage of debt limit remains stable or slightly lower.

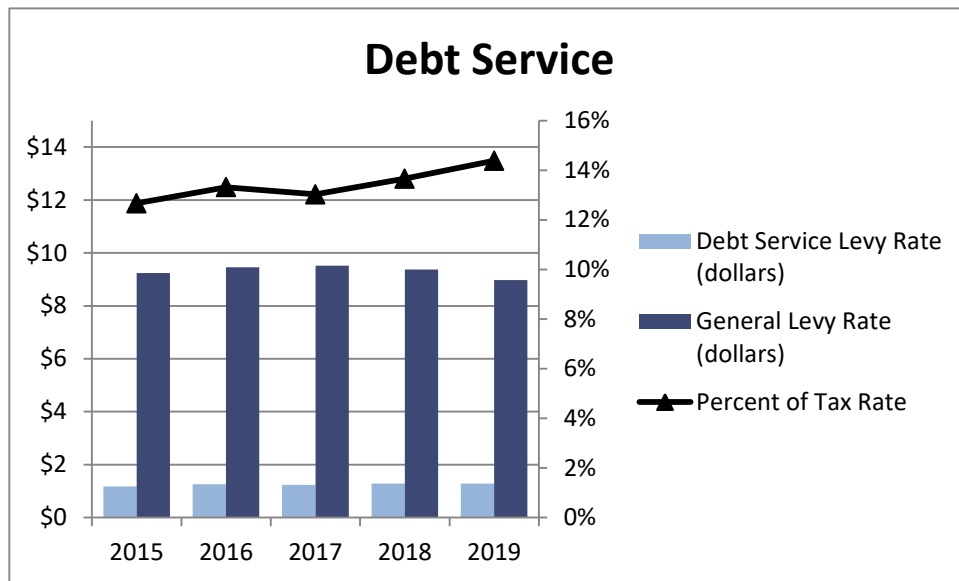
Debt Position

Debt Service as a Percentage of Property Tax Levy

Description—Debt Service as a Percentage of Property Tax Levy is the amount of principal and interest that the city pays each year on long and short-term (non-development and non-utility) debt with property tax levy. As debt service increases, it adds to the city’s obligations and reduces expenditure flexibility. In addition, debt service is a major part of the city’s fixed costs and any increase may indicate excessive debt and fiscal strain. Therefore, an unfavorable trend would be an increase in the debt service levy rate as a percent of the general levy rate.

Analysis—The share of the Property Tax Revenue (equalized tax rate) that is allocated to pay for debt service is stable. Although the tax rate has increased 12 cents per thousand dollar valuation since 2015, it remains relatively proportional to the overall tax rate between the years 2015 - 2019.

$$\text{Formula: } \frac{\text{Debt Service Levy Rate}}{\text{General Levy Rate}}$$



	2015	2016	2017	2018	2019
Debt Service-related Tax Rate	\$1.17	\$1.26	\$1.24	\$1.28	\$1.29
Equalized Municipal Tax Rate	\$9.24	\$9.46	\$9.52	\$9.37	\$8.97
Percent of Tax Rate	13%	13%	13%	14%	14%

Conclusion—The city’s debt service which is funded by property taxes has been relatively stable as a percent of overall municipal property tax revenue. The percentage from 2015 – 2019 has increased by 1 percent. This resource reflects the traditional revenue source of debt service payments for General Obligation debt.

X

61

Gen. Ord. No. 13 - 20 - 21. By Alderpersons Donohue and Bohren.
July 20, 2020.

AN ORDINANCE amending Section 82-33 of the Sheboygan Municipal Code so as to modify the Department of Finance Table of Organization.

THE COMMON COUNCIL OF THE CITY OF SHEBOYGAN DO ORDAIN AS FOLLOWS:

Section 1. Section 82-33 of the Sheboygan Municipal Code entitled "List of Classes and Class Specifications" is hereby amended so that Section A.5 of section 82-33 of the supplement to the Code on file in the City Clerk's office is amended as follows:

<u>Class Title</u>	<u>Class Grade</u>	<u>No. of Employees</u>
--------------------	--------------------	-------------------------

A. CITY HALL DEPARTMENTS

5. Finance

DELETE:

Accounts Payable/Purchasing Asst.	F	1.0
-----------------------------------	---	-----

ADD:

Accountant III	M	1.0
----------------	---	-----

Section 2. All ordinances or parts thereof in conflict with the provisions of this ordinance are hereby repealed to the extent of such conflict, and this ordinance and attached revised job description shall be in effect from and after its passage and publication.

F4P

By Lynne Nowlin

I HEREBY CERTIFY that the foregoing Ordinance was duly passed by the Common Council of the City of Sheboygan, Wisconsin, on the _____ day of _____, 20____.

Dated _____ 20____, _____, City Clerk

Approved _____ 20____, _____, Mayor

CITY OF SHEBOYGAN

REQUEST FOR FINANCE AND PERSONNEL COMMITTEE CONSIDERATION

ITEM DESCRIPTION: Gen. Ord. No. 13-20-21 by Alderpersons Donohue and Bohren amending Section 82-33 of the Sheboygan Municipal Code so as to modify the Department of Finance Table of Organization.

REPORT PREPARED BY: Marty Halverson, Finance Director

REPORT DATE: July 20, 2020

MEETING DATE: July 27, 2020

FISCAL SUMMARY:

Budget Line Item: 10115100 510110
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

STATUTORY REFERENCE:

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The Finance Department recently participated in an operational assessment performed by CliftonLarsonAllen (“CLA”). This assessment along with an internally generated “Action Plan” of the Finance Department, which was presented in September of 2019, has led to the awareness of additional resources needed within the department. The addition of an Accountant III position will assist in the advancement of knowledge, skills, and abilities to fulfill the mission of the department.

STAFF COMMENTS

The Accountant III position is part of a revised structure within the department that will add another staff capable of the advanced calculations, analysis, recording and reporting necessary to meet the growing complexities in government finance. This position will also support the structure that promotes growth and succession planning to sustain the department during times of transition.

ACTION REQUESTED

Motion to recommend the Common Council approve Gen. Ord. No. 13-20-21 by Alderpersons Donohue and Bohren amending Section 82-33 of the Sheboygan Municipal Code so as to modify the Department of Finance Table of Organization.

ATTACHMENTS:

- I. Gen. Ord. No. 13-20-21
- II. Accountant III Position Purpose

ACCOUNTANT III POSITION PURPOSE



CITY OF SHEBOYGAN

Our Mission is to provide residents, the business community, and visitors with fiscally responsible municipal services in an effective and responsive manner to meet the needs of our diverse community.

Our Vision is to be a family-oriented and prosperous community with a wide variety of housing, business, cultural, and recreation opportunities in safe and attractive neighborhoods.

Our Values guide all actions and reflect what we require of our employees and expect from our elected officials. These core values set the high standard to which we expect to be measured.

Our Culture promotes an experience that is high-paced, unpretentious and meaningful while providing high-quality services for the citizens of the City of Sheboygan.



GENERAL PURPOSE OF POSITIONS

City of Sheboygan employees uphold and promote the mission, vision, and core values of the City of Sheboygan, and work to fulfill the six main principles of the Strategic Plan through these essential competencies:

- Respect
- Accountability
- Teamwork
- Innovation
- Fiscal Responsibility
- Service

Respect: Treating people with dignity and an attitude of caring and understanding. Showing genuine consideration for others and valuing each individual as an individual.

Accountability: This value reflects our first and most important responsibility. Our competence is measured and, in fact, reinforced through active engagement of those we serve. We maintain an organizational reputation for openness, accountability, and integrity.

Teamwork: We are a team that emphasizes high levels of trust, full cooperation, and a commitment to thorough, effective communications within our city organization. We encourage employees to exercise independent judgment in meeting customer needs through professional behavior always consistent with our values.

Innovation: We acknowledge the weaknesses within government and create ethical, forward thinking solutions to overcome them. We identify, develop, and deploy leading edge technology, employee development programs, and process improvement tools.

Fiscal Responsibility: Proper use of public resources is a trust we continually guard. In management of this trust, we must avoid even the appearance of impropriety. In management of public funds, we constantly strive for the greatest possible efficiency, effectiveness, and quality outcome.

Service: Our primary duty is to the people we serve. We are accessible, consistent, responsive, and understanding. We provide assistance beyond our customers' expectations, and we find effective solutions to problems that they bring to our attention.

ACCOUNTANT III POSITION PURPOSE



FINANCE DEPARTMENT

Statement of Purpose

The function of the Finance Department is to provide administration of the accounting system, purchasing, investment, cash management, cash receipting, accounts payable, debt management, and assessing. Maintains fixed asset inventory and property insurance replacement value, prepare and publish Annual Financial Report and Budget Report. The division also is responsible for the Debt Service Fund, TIF Funds, Capital Funds and Special Assessment Fund.

Culture

The atmosphere throughout the city, as well as in the Finance Department, is one that promotes an experience that is high-paced, unpretentious and meaningful while providing high-quality services for the citizens of the City of Sheboygan.

Staff Expectations

The foremost item in every employee's position is to handle adversity and fluctuations in work flow with a positive attitude. The ability to take initiative and have self-awareness to promote an atmosphere that is efficient and has continuous improvement. Staff should participate in a teamwork approach to accomplish the tasks and responsibilities of the department. Interaction and communication with co-workers and the general public should be handled in a professional manner.

Equal Opportunity Employer

The City of Sheboygan, Wisconsin is an Equal Opportunity Employer in compliance with the Americans with Disabilities Act, and the City of Sheboygan will provide reasonable accommodations to qualified individuals with disabilities and encourages both prospective and current employees to discuss potential accommodations with the employer.



ACCOUNTANT III POSITION PURPOSE



POSITION DESCRIPTION

Title:	Accountant III
Direct Supervisor:	Deputy Director of Finance
Department:	Finance
Version Date:	July 20, 2020
Salary Grade:	M
FLSA Status:	Exempt

Position Summary

The Accountant III is responsible for providing senior-level experience in Finance, directly supporting the Deputy Finance Director and Finance Department by performing specific financial and administrative functions. The position assists or maintains controls over all general ledger accounts with principal operation to the extent necessary to establish, maintain and audit controls over input and output of detailed transaction reports, as well as performs other related work including preparation of reports to outside agencies as required. As a representative of the Finance Department, this position has regular interaction with employees, the public and other agencies and is critical to the success of the City of Sheboygan.

Essential Duties & Responsibilities

1. Senior-level, skilled finance professional, capable of assisting the Deputy Director and Finance Director with a high degree of skill and ability providing various functions throughout the Finance Department.
2. Actively creates and implements continuous improvement procedures for present operations and develops new proposals subject to approval of Deputy or Finance Director/Treasurer.
3. Creates policies and procedures; provides training on new procedures as required for Finance staff, as well as other departmental employees.
4. Authorized to perform the duties of the Deputy Director as delegated or during absences.
5. Manages and tracks the journal entry workflow.
6. Maintains the chart of accounts for the general ledger.
7. Coordinates and reconciles tax collection processes.
8. Produces high level accounting reports.
9. Assists with grant administration including file maintenance, pre audit inspection and final audit.
10. Manages the City's insurance program for the adequate protection of the City's properties, funds, securities, and other municipal exposure to liability and losses.
11. Assists with Data Processing the computer applications as they apply to the accounting and financial requirements of the City.
12. Assists with annual audit, annual budget preparation, and year-end close.
13. Researches and implements changes as the result of State or Federal regulations pertaining to municipal finance, i.e., Federal Revenue Sharing, Levy Limits, Department of Revenue reports, indebtedness, taxation, etc.
14. Provides other work related support as required or assigned.

ACCOUNTANT III

POSITION PURPOSE



Supervisory Responsibilities

There are no supervisory responsibilities required of this position, but acts as a lead and resource to other departmental staff.

Qualification Requirements

To perform this position successfully, an individual must be able to perform each essential duty and responsibility satisfactorily. The requirements listed below are representative of the knowledge requires. Reasonable accommodation may be made to enable qualified individuals with disabilities to perform the essential functions.

Education & Experience

A Bachelor's degree in Accounting or a related degree is required, with a minimum of three years of progressively responsible experience in a related field.

Language Skills

Ability to communicate effectively in written and verbal form is required. Prepare and maintain accurate and complete reports and records.

Mathematical Skills

Ability to prepare forecasts, accurate calculations, various ratios, and perform analytical procedures.

Technical Skills

High proficiency in Excel and other related Microsoft Office suite programs.

Reasoning Ability

Ability to define problems, collect data, establish facts, analyze information, and draw valid conclusions or reasonable forecasts.

Physical Demands

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable qualified individuals with disabilities to perform the essential functions. Work performed is primarily in a standard office environment that includes exposure to computer screens. Primary functions include sufficient physical ability and mobility to work in an office setting, sit and answer phones, and use of computer equipment on a continuous basis.

On a frequent basis, must have the ability to stand, walk, sit, talk, and reach with hands and arms and occasionally lift, bend, stoop and retrieve files and boxes weighing up to 25-30 pounds. Position requires the operation of office equipment and required repetitive hand movement and fine coordination including use of a computer keyboard.

Interact with employees and/or the public in various settings. Requires punctuality and consistent attendance with adaptability to meet the department's needs.

ACCOUNTANT III POSITION PURPOSE



Work Environment

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable qualified individuals with disabilities to perform the essential functions.

Other Information

This position purpose includes the major duties and responsibilities of the job and is not to be construed as all-inclusive. The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statements of duties does not exclude them from the position if the work is similar, related, or is a logical assignment to the position.

This job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the needs of the employer and requirements of the job change.

My signature below is both an acknowledgement of my understanding of the purpose of my position, as well as my commitment to uphold and promote the mission, vision, and core values of the City of Sheboygan, and work to fulfill the six main principles of the Strategic Plan.

Employee Name: _____ Date: _____

Employee Signature: _____

