



LETTER OF TRANSMITTAL 2023 EXECUTIVE DRAFT BUDGET

September 30, 2022

Dear Honorable Mayor and Oak Creek Common Council:

City management is pleased to distribute the attached *2023 Executive Draft Budget* to the Common Council for its review. In a series of public workshops in October, the Common Council will walk through 2023 budget constraints, strategies, and discussion/decision points. Department staff will be on hand to discuss any budgetary requests and will also welcome any questions regarding their City operations.

The Common Council will find staff transmitted the “department/division narratives” with the *Executive Draft Budget* this year. The narratives include an overview of services performed within the department/division/fund, relevant activity measures, and annual goals and objectives. Typically, the comprehensive narratives accompany the final budget document, which staff annually submits for peer review to the Government Finance Officers’ Association (GFOA) Distinguished Budget Presentation Award program. Especially with this increased effort, we sincerely thank the Department Directors, Division Managers, and all staff that helped craft this draft budget. We are very proud to present it.

The cornerstones of any municipal budget document revolve around two things: 1) the needs and interests of our taxpayers and visitors; and 2) providing our dedicated employees with quality wages and benefits so the City can continue to perform essential public services. To the first point, this Draft provides resources to continue similar programs and services as the City traditionally has. Nothing in this draft budget strategy curtails any City services. In fact, management staff is recommending additional funding to elevate certain City programs.

To the second point, the City is a busier place not only out in the community, but also within our organization. We have a very active and dedicated workforce. This draft budget prioritizes a fair annual wage adjustment for all positions within the City. Additionally, the City is not requiring additional employee contribution to costs for health insurance premiums. The 2023 employee costs will be the same as they were in 2022.

Importantly, the draft budget accommodates the market adjustments approved by Common Council in 2022 for several employee groups. This significant investment in wages was long overdue and well-deserved. The effects of inflation, the global economy, and labor shortages are real, even at the local government level. Our goal is to continue working through analyses for other employee groups in 2023 to determine other weaknesses in our compensation

structure. The Common Council should continue discussions regarding an independent and organization-wide classification and compensation analysis as called for in the Strategic Action Plan (SAP).

While the Common Council does have control over certain local policy and financial matters, the City is also a creation of the State of Wisconsin. Requirements imposed by the State constrain the Common Council's ability to budget totally for the level of services and staffing it deems acceptable. The major factor in determining resources from one annual budget to the next revolves around levy limits.

Wisconsin municipalities are restricted to a certain amount of property taxes via these state-imposed levy limits. Municipal property tax levies can only be increased by the amount of "net new construction" experienced in the previous year. Oak Creek is fortunate to be in a period of construction activity that affords the Common Council some flexibility with new spending without raising the tax burden on its taxpayers. This period of growth will not continue forever. The ongoing budget recommendations of City management will always be mindful of the fact the community cannot continue to grow at the same pace forever.

In addition to levy limits, other state aid programs inform our municipal budgets on an annual basis via State Shared Revenue. These come in the form of a General Transportation Aid (GTA) program, Utility Aid program, Expenditure Restraint program (ERP), and a general shared revenue payment. These can all fluctuate from one budget to the next given the nature and formula on which they were created. The levy limits, State Shared Revenue, as well as other cost and revenue variables represent the puzzle pieces staff need to fit in a balanced budget proposal.

VARIABLES AFFECTING THE 2023 BUDGET PROPOSAL:

The City's operating revenues and expenditures all work together to determine the amount of levy support (the shortage of revenue after all revenues and expenditures are determined) needed from the general property tax levy. The factors influencing the 2023 budget proposal include, but are not limited to:

- A net new construction increase of 2.477% which yields an available levy increase of **\$581,886**;
- A reduction in the City's Expenditure Restraint payment, or ERP, of **\$29,425** primarily due to a decrease in the City's equalized tax rate;
- A reduction in the City's General Transportation Aid payment, or GTA, of **\$227,311** due to significant decrease in the six-year rolling average of transportation-related spend;
- An increase in various General Fund revenues like interest earnings, court fines, and development-related fees of **\$260,398** primarily due to increased interest rates and activities;
- A realized savings in the debt service levy of **\$309,143** as previously approved with the G.O. Debt Levy Reduction Strategy;
- Significant increases in the City's required WRS contributions rate, primarily for protective service positions, resulting in about **\$150,000** of additional costs;

- The aforementioned investments in wages through both market adjustments and an annual wage adjustment for 2023;
- An increase in \$10,000 for Parks Maintenance activities and \$10,000 for general Building Maintenance activities;
- A modest increase in several operating line items to reflect actual expenses;

HUMAN RESOURCE ENHANCEMENTS INCLUDED IN BUDGET PROPOSAL:

Given the loss of General Fund revenue and significant compensation adjustments for existing staff as described above, the addition of new personnel, particularly for public safety, was difficult to achieve. The main budget priority among management was to ensure all existing employees received an equitable annual pay adjustment. This is the case every year when piecing together the budget puzzle.

Additional staffing enhancements included in the 2023 budget proposal encompass the following:

- An overall 2.0% wage adjustment for all police and fire union employees. These wage adjustments are distributed 1.0% on January 1, 2023 and 1.0% on July 1, 2023 per those collective bargaining agreements;
- A 2.5% annual wage adjustment effective January 1, 2022 for all other part-time and full-time City employees;
- An additional, one-time payment to all police and fire union employees to compensate for the difference of 0.5% annual wage adjustment granted to non-represented employees. Mechanics of this payment are still to be determined;
- The reclassification of the current part-time Leisure Services Assistant to a full-time status to oversee City events coordination. Additionally, the budget recommends a new part-time Social Media/Marketing position. Both positions are split between the City's General Fund and the Tourism Fund;
- The addition of one Police Aid position;
- The inclusion of additional wage capacity for DPW and Dispatch positions to allow for pay progression;

Public service is very people-oriented and having skilled staff to fulfill these responsibilities is important. The City also has physical assets to plan for, address, and maintain. The largest of these physical assets are included in the City's Capital Improvement Plan (CIP).

2023 CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET

Despite the limitations for staffing and other resources the City experiences annually in its *operating* budget, the 2023 CIP budget accomplishes much for the Common Council to be proud of. Within the body of the draft budget, the Common Council will see the narratives that accompany CIP requests as well as the funding allocations and strategies recommended by the City Administrator and the Board of Public Works & Capital Assets (BoPWACA). The Parks & Recreation Commission also made its recommendations on certain park and open space improvements, which are also included.

On Wednesday, September 14, the BoPWACA met to review Department/Division requests for capital projects and equipment - requests totaled **\$23,633,715**. Contained herein, the

plan advanced to Common Council includes a recommendation for a CIP totaling **\$20,988,209**. The chart below details the Summary of Funding Sources for the proposed 2023 CIP budget.

2023 CIP BUDGET - SUMMARY OF FUNDING SOURCES				
Funding Source	Funding Request	City Admin.	BOPWACA	Common Council
WE Energies (\$1M Cash)	\$ 1,085,618	\$ 1,000,112	\$ 1,000,112	
TID 11 / TID 12	\$ 4,800,000	\$ 2,500,000	\$ 2,500,000	
TBD	\$ 939,630	\$ 939,630	\$ 939,630	
Stormwater Fund (38)	\$ 940,000	\$ 940,000	\$ 940,000	
Park Impact Fees	\$ 552,200	\$ 482,200	\$ 482,200	
Equipment Replacement Fund	\$ 371,000	\$ 371,000	\$ 371,000	
Building Replacement Fund	\$ 130,000	\$ 130,000	\$ 130,000	
TID 13	\$ 10,545,383	\$ 10,325,383	\$ 10,325,383	
EMS Fund Balance	\$ 380,000	\$ 380,000	\$ 380,000	
Fire Impact Fees	\$ 750,000	\$ 750,000	\$ 750,000	
TID 11	\$ 350,000	\$ 350,000	\$ 350,000	
American Rescue Plan Funds (Grant)	\$ 2,819,884	\$ 2,819,884	\$ 2,819,884	
Grand Total	\$ 23,663,715	\$20,988,209	\$20,988,209	

It is important to note not one CIP project requires the use of general property tax levy. They are funded through a variety of revenue sources, but with most of the largest investments paid through various tax increment district (TID) finances. The 2023 CIP budget’s funding strategies will comprise the majority of decision points Common Council will consider this budget cycle.

The largest investments in the 2023 CIP budget include items related to the redevelopment of the City’s lakefront through TID No. 13. The 2023 CIP budget includes a North Bluff Stabilization and Revetment project (\$8,075,383) along with the North Lake Vista Park (Phase 1) Design and demolition of the remaining Peter Cooper structures (\$2,250,000).

The BoPWACA also recommended \$2,500,000 for an initial phase of Drexel Avenue gateway/streetscape construction. The Common Council identified both the lakefront redevelopment and Drexel Avenue projects as priorities in the City’s SAP. This request, which will be funded through a combination of TID Nos. 11 and 12, was the one project request significantly reduced (from \$4,800,000 to \$2,500,000) in the CIP development process.

The recommended 2023 CIP budget also addresses critical Fire Department needs. The proposal includes funds to purchase a new ladder truck (\$1,735,000) and a new ambulance (\$380,000). A new fire engine is also critical, and staff will present some options to the Common Council on how to fund that apparatus as well. Perhaps most importantly, staff also recommended a location assessment and potential purchase of land for future Fire Station No. 2 (\$750,000). This CIP budget request and upcoming SAP workshops are designed to induce Common Council conversations regarding next steps with the outdated Fire Station No. 2.

Other more routine, yet costly items include purchases of vehicles and equipment, continuation of accumulating funds for bridge replacement and larger storm water-related purchases, as well as continuous funding for replacing technology. In all, the 2023 CIP budget is the most robust CIP budget in terms of funding for projects and equipment than has been proposed within the last six budget cycles. Many of these CIP requests directly result from strategic priorities adopted by the Common Council.

2023 BUDGET COMMON COUNCIL DISCUSSION & DECISION POINTS:

A general summary of the larger strategies and Council discussion points surrounding this budget cycle include the following:

- **Use of City ARPA Funds for CIP Requests.** The City received approximately \$3,900,000 in American Rescue Plan Act (ARPA) dollars from the federal government. The proposed 2023 CIP recommends using ~\$2,820,000 of ARPA funds for the purchase of a Ladder Truck (\$1,735,000), road improvements (\$1,000,000), and a vehicle barrier system (\$85,000). Using ARPA in this manner allows us to streamline financial reporting requirements and gives us more flexibility to have funds available past the December 31, 2024 deadline to commit ARPA funds. The Common Council will note the \$1,000,000 for roads typically comes from \$1,000,000 in WE Energies Mitigation funds. Essentially the City will reserve that \$1,000,000 payment for future capital projects instead of ARPA dollars;
- **Use of Cash-on-Hand for CIP Requests.** The CIP recommends a usage of \$501,000 from Building Replacement and Equipment Replacement funds cash-on-hand. Staff is confident most, if not all, of this cash-on-hand can be replenished to previous amounts with anticipated yearend fund balance. This is exactly how the Common Council established these funds to work.

Additionally, the 2023 CIP recommends \$380,000 in cash from the EMS Fund for the purchase of a replacement ambulance. Staff will provide Common Council an overview of that fund's position to demonstrate the financial comfort for this recommendation;

- **Future Funding for Fire Engine Replacement.** The City is in dire need of a fire engine replacement. The long lead times for ordering and then receiving this equipment does not afford the Common Council a delay on this decision. Staff will discuss future funding options so the Fire Chief can order the apparatus so it can be manufactured. Anticipated delivery is 24-30 months out;
- **Abendschein Park Pavilion Pivot to Infrastructure Work.** Given the cost overages of the bids received for the Abendschein Park Pavilion, staff recommends focusing 2023 efforts on infrastructure work, namely, a parking lot expansion and enhancement to the Park's entrance road. Staff requested \$400,000, to be funded by Park Impact Fees, for this work. City management will continue to assess next moves and contingency plans for the pavilion structure itself, presuming building a structure is still Common Council's goal;

- **Drexel Avenue Gateway/Streetscape Project.** As demonstrated with the scope and budget relationship with the Abendschein pavilion costs, this SAP initiative should be discussed. The all-phases budget request for this work was \$4,800,000; however, the budget requested by the City Administrator and BoPWACA reduces the allocation to \$2,500,000. The staff believes the City can achieve a meaningful gateway project by crafting a specific project within the requested budget, and if necessary, adding incrementally to the design elements over time;
- **Public Safety Personnel:** Despite recent budget cycles funding incremental growth of public safety personnel, the *2023 Executive Draft Budget* does not include additional police officer or firefighter/paramedic positions. Without additional levy support, the *2023 Executive Draft Budget* could not accommodate these costs without significant cost-cutting from other program areas, and/or a Common Council policy directive to increase the levy beyond the allowable, state-mandated limit. We suspect Common Council will have a robust discussion on public safety staffing in its October 17 strategic action plan workshop. Staff needs short and long-term direction on this question, and the SAP workshops are a great venue for these discussions;
- **Future of City Participation in the State Expenditure Restraint Program (ERP).** The City experienced a one-year reduction of \$29,000 from the State from the State Expenditure Restraint Program (ERP), and staff is projecting this will continue to decrease significantly in years to come. Management will provide the Common Council with an overview of this program as well as why revenues are expected to decrease each year moving forward;
- **Storm Water Fees:** The *2023 Executive Draft Budget* does not recommend any increase to Storm Water fees, a separate, special charge on the property tax bill. The Board of Public Works and Capital Assets (BoPWACA) discussed various ways of funding a major Storm Water lift station project (Drexel Avenue). Common Council has a couple options to consider, and staff will target this item for discussion during budget workshops.

CONCLUSION:

City Management and Common Council have taken a very progressive approach to the City's budget and financial planning. To be quite frank, the City's 2023 budget outlook would have looked much worse not taking a multi-year budget strategy approach as directed by Common Council in our City SAP. Staff had already anticipated and planned for the large reduction in General Transportation Aid (GTA). This was largely offset by the City's General Obligation Debt Levy Reduction Strategy, as one example.

We will continue to look out several years into the future to plan for structural budgetary threats to mitigate budget volatility from year-to-year. The forthcoming discussion on ERP revenue losses is a great example of how forecasting is critical in minimizing budget surprises in any year.

Overall, the staff is proud to put forward the figures, strategies, analyses, and recommendations contained in this *2023 Executive Draft Budget* for Common Council review.

Importantly, this transmittal is also intended to guide the public's review of the City's spending plan and is written as a communication tool to aid in that review. The recommended financial plan contained herein continues to drive the City in pursuit of our vision and mission, which are as follows:

VISION Oak Creek: A dynamic regional leader, connected to our community, driving the future of the south shore.

MISSION We are a dedicated organization providing high quality services that positively impact Oak Creek residents, business, and visitors.

The staff and Common Council will now move forward as one in a series of public budget workshops. Staff welcomes the opportunity to discuss ways to modify this draft budget in favor of the policy decisions, community desires, and other directives of the Common Council.

Respectfully Submitted:



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