

Presentation to the Special Committee on Emergency Management and Continuity of Government Committee, Senator Robert Jauch, Chair by Edward A. Geick, Baraboo City Administrator

October 1, 2008

The purpose of my presentation today is to give you some idea of the impact of the June storms and how levy limits affect cities.

1. The storm damage requires a city to do immediate repairs to keep vital systems going but FEMA does not reimburse until approximately 1 year after the event. This means that money for repairs must be borrowed or taken from cash reserves. Even when reimbursement comes the exact amount of that reimbursement is dependent on the funds available at FEMA.
2. Levy limits encourage cities to incur more debt in order to do projects because cities are not given latitude to tax for large special projects in a planned manner. Examples would be bridges, large road repairs, building repairs, equipment damage or loss. We allow water, storm and sanitary utilities to collect money for repair and replacement of systems in the future but we don't allow this kind of financial planning for other government operations.
3. The current increases in operating costs due to rising fuel prices, salt, anything petroleum based like asphalt and other expenses for personnel like health insurance, wages, etc. are exceeding the allowance allowed by the levy limits. Even the federal government allows for adjustment of the mileage rate allowed for tax purposes. Cities need this kind of ability to better adjust to our changing economic situations too.

Current out of pocket expenses for Baraboo to respond to the June storms is about \$179,000. We are anticipating an additional \$500,000 to \$1 million in expenses for repair of damaged utilities, roads and for additional storm water control systems. How should we pay for this expense? Underground damage from the storms takes time to surface and for us to respond to.

Baraboo is like most small cities in Wisconsin. We go through the typical budget cycle every year in somewhat the standard way. Baraboo may be a little different because we do capital expenditure planning for equipment and projects out 20 years and we do bi-annual budget forecasting for operating expenses. We annually update our financial plans but it is often difficult to do financial planning in Wisconsin because of the ever changing financial support from the state and the levy limits.

Baraboo is a growing community that has seen a 6.7% increase in equalized value in the past year and 3% growth in net new construction. Even with our growing population of 11,755 and tax base we can't keep pace with all our needs. Add on top of that the damages resulting from the storms this past June and the prospects for positive financial planning becomes more difficult. Our tax levy for 2008 was \$6.72 million and our total budget was \$14.1 million. Under the current tax levy limitations of 2.25% set for next year we would be allowed to increase the levy by \$151,566. We work hard at controlling our expenses but like many cities we have labor contracts with wage adjustments of 3% this year, 2.25% in 2009 and 2.5% in 2010. \$6.2 million of the total budget is wages and benefits. The levy limit would not allow sufficient budget growth to cover everyday needs when personnel, gas prices and commodities costs are rising so quickly.

What is happening to Baraboo and many other cities is that we are forced to do debt financing for our projects. This year we did about \$1 million in capital projects. We just issued bonds a few weeks ago for \$3.9 million to cover projects for 2008 and 2009, see examples in Attachment A. While Baraboo has some internal control policies on how much debt we issue this may not be true elsewhere. Attachment B shows an example of how Baraboo rates with other cities on debt outstanding.

Wisconsin communities need more latitude locally to respond to the daily course of events and the natural disasters that arise than what we currently have.

Attachment A – 2008-09 Capital Projects Financing List

City of Baraboo
Proposed Debt for 2008

City of Baraboo

2008 Capital Projects Financing List (From City Finance Director 2/14/08)

Project	Description	Estimate	Storm Sewer	TID 8	TID 7	TID 9
Center Street		\$824,000				
Johnson Street			814,000			
4th Ave						
Engineering		151,000				
Sidewalk plants		\$20,000	19,000			
Overlays		\$100,000	20,000			
Stormwater IDS		\$335,000	335,000			
Stormwater IDS		\$100,000	100,000			
Stormwater IDS		\$200,000	200,000			
TID 8						120,000
TID 9						300,000
Last Year's Projects						
2008 Street Projects						
TIP 7 Initiatives						
Vedas Project		739,200		739,200		
Water Tower TID 8 Portion		149,500		149,500		
Water Tower TID 7 Portion						
Water Tower (Water Portion)		\$3				
Civic Center Renovation		\$0				
South Blvd Engineering		\$50,000				
Retaining Walls		\$20,000				
Retaining Walls		\$20,000				
Retaining Walls		\$20,000				
Retaining Walls		\$25,000				
Retaining Walls		\$15,000				
Storm/Sanitary renovations		\$15,000				
Decrease in Stormwater projects per Council action 2/26/08		(100,000)				
Total		\$3,810,300	1,717,000	739,200	149,500	420,000
		100.00%	45.06%	20.59%	19.40%	11.02%
Discount Allowance		\$49,188	\$72,465	\$10,127	\$9,642	\$5,422
Financial Advisor		\$22,275	\$10,055	\$4,586	\$4,321	\$2,455
Bond Counsel		\$7,500	\$3,381	\$1,544	\$1,455	\$827
Raising Expense		\$6,850	\$3,037	\$1,410	\$1,239	\$755
Paying Agent Fee (if Terms)		\$675	\$304	\$139	\$131	\$74
Capitalized Interest (1 Yr for TID 8 Only)		\$57,004	\$	\$	\$5,218	\$19,585
Total Capital Required		\$2,553,793	\$1,755,973	\$802,307	\$708,180	\$449,118
		100.00%	44.41%	26.29%	19.93%	11.35%
Less Interest Earnings		(\$18,793)	(\$3,346)	(\$1,813)	(\$1,746)	(\$723)
Total Issue Size		\$2,535,000	\$1,746,000	\$798,493	\$706,434	\$448,395

Prepared by: City of Baraboo Finance Director

Attachment B - Rating Factors Comparison



RATING FACTORS OF COMPARABLE COMMUNITIES

Municipality	Current Rating	Overall Debt Burden	Short-Term Debt Burden	Payoff, 10-Years	Direct Debt Per Capita	Overall Debt Per Capita	Average Annual Growth %	Undesignated Gen. Fund % of Total Op. Ret.	% of Exp. for Debt Service	Adj. Gross Inc. Per Return (2008)	Adj. Gross Inc. as % of State (2008)	Per Capita Eq. Value (2007)	Eq. Value TD - 8th (2007)	Population (2007)
Baraboo	A2	3.75%	2.86%	80.92%	\$2,105	\$2,757	5.48%	28.92%	10.28%	\$36,798	74.41%	\$73,482	\$83,781,800	11,755
Median A2 (WI)	A2	3.90%	2.20%	73.90%	\$1,389	\$2,415	8.20%	26.60%	20.60%	N/A	N/A	\$66,969	733,649,000	10,955
Elkhorn	A2	5.55%	3.20%	62.97%	\$2,566	\$4,482	11.36%	26.07%	26.87%	\$43,530	68.41%	\$80,793	723,341,700	8,953
Portage	A2	2.95%	1.75%	82.84%	\$1,056	\$1,841	6.65%	54.11%	22.77%	\$36,080	75.00%	\$61,545	\$22,839,000	10,120
Median A1 (WI)	A1	3.60%	2.30%	76.10%	\$1,560	\$2,713	7.70%	20.70%	21.80%	N/A	N/A	\$84,792	1,218,973,000	14,376
Granton	A1	4.90%	3.80%	64.20%	\$3,721	\$4,798	7.70%	23.70%	26.70%	\$57,787	120.12%	\$97,923	1,121,216,100	11,450
Oregon	A1	3.97%	1.88%	89.21%	\$1,812	\$3,835	14.71%	43.66%	20.96%	\$58,566	121.75%	\$96,492	845,654,600	8,764

Source: Moody's Investor's Service, State Report, Credit Reports & Village or City Analysis, State of Wisconsin (DOCR)