

City of
BELOIT, Wisconsin



(Beloit Hospital officials and others gather in front of a City bus at the official Dedication of the New Beloit Cancer Center on January 23, 2014)

City of Beloit Wisconsin

**2015 ADOPTED
OPERATING BUDGET**



ABOUT BELOIT

Located west of Interstate Highway 90, which travels south to Chicago and north to Madison, and connecting directly to Milwaukee via Interstate Highway 43, Beloit is situated midway along the Wisconsin/Illinois border.

At the beginning of the 1800s, several hundred Native Americans of the Winnebago tribe lived in a village called Ke-chunk-nee-shun-nuk-ra, or the Turtle, where the Rock River and Turtle Creek join. The first known white man to settle in Rock County alongside the Winnebago was Joseph Thiebault, a French trapper who came to the area in the 1820s to trade with the tribe. Thiebault's cabin was located just north of the state line, near the site where Beloit City Hall now stands.

Caleb Blodgett, another of the earliest pioneers and merchants, dubbed this place New Albany but a citizen committee soon renamed it. Although the exact history remains disputed, it seems that the name Beloit was coined from a French word, Balotte, to mean "handsome ground"; the spelling was then fashioned after Detroit, which the community saw as a great symbol of trade and growth.

The first African-Americans living in Beloit were Emmanuel Craig, a coachman, and his family. Arriving in the mid-1830s, the Craigs were among those who witnessed the formation of the township government in 1842 and the founding of Beloit College in 1846, two years before Wisconsin achieved statehood.

Beloit was officially incorporated as a city by the State of Wisconsin on March 31, 1856, and citizens adopted a Council-Manager form of government in 1929.

One hundred and forty-five years after incorporation, the City of Beloit covers approximately 15 square miles. It is home to over 36,820 residents as well as more than 88 industrial firms, 850 retail establishments, several corporate headquarters, a minor league baseball team, several museums and an internationally acclaimed college that bears the community's name.

One of the most ethnically diverse communities in the Midwest, Beloit's population according to the United States Census Bureau 2010 is 68.9% Caucasian, 15.1% African-American, 17.1% Hispanic/Latino, 1.1% Asian American, with another 14.8% from other ethnic or racial backgrounds.

As the City of Beloit continues to celebrate its rich heritage and cultural diversity, local government, businesses and residents are working to make the Beloit of the 21st century an even greater community.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Beloit

Wisconsin

For the Fiscal Year Beginning

January 1, 2014

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **City of Beloit, Wisconsin** for its annual budget for the fiscal year beginning **January 1, 2014**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

TABLE OF CONTENTS

1. Introduction Section	
About Beloit	
2014 GFOA Budget Award	
Table of Contents	
City Manager's Transmittal Letter	1
Mission/Vision Statement and Goals 2015	15
2. Summary Section	
Budget Functional Units	17
2015 Operating Budget Summary - Expenditures	18
Departmental Budget Summaries	20
2015 Operating Budget Summary - Revenue	21
2015 Revenue Discussion.	23
General Fund Revenues - Graph	32
General Fund Expenditures by Department - Graph	33
Total Expenditures Per Department - Graph	34
Financial Information	35
Property Valuations and Taxes.	36
Municipal Tax Levy	37
Budget & Net Tax Levy Distribution.	38
Tax Rate Changes - Graph	39
Tax Base Growth for City of Beloit - Graph	40
2014 Top 25 Taxpayers	41
Average Home Value	42
Analysis of Municipal Tax Levies	43
Tax Incremental Districts Sheet	44
3. Policies & Process Section	
Basis of Accounting	45
General Fund Balance Policy	48
Enterprise Fund Balance Policy.	52
Debt Service Policy.	54
Budget Amendment Procedures	56
2015 General Fund Balance.	61
Unassigned General Fund Balance - Chart	62
General Fund Financial Performance	63
Fund Balance - Charts	64
Budget Calendar Flow Chart	69
The 2015 Budget Process	70
4. Personnel Overview Section	
2015 Staff Plan Pie Chart	71
2011-2015 FTE VS PT-Casual Employees	72
2015 Staffing Plan FTE.	73
2015 Salary Schedule	82
5. Community Profile Section	
City of Beloit Map	88
City of Beloit Organizational Chart	89
Community Profile	90

TABLE OF CONTENTS

6. General Fund Section	
General Fund Summary	98
City Council	99
City Manager	102
City Attorney	117
Economic Development	123
Finance and Administrative Services	134
City Clerk	136
Municipal Court	148
City Assessor	155
Human Resources	165
Treasury	171
Accounting and Purchasing	179
Cable TV	185
Information Systems	187
Finance	194
Contingency and Wage Adjustment	200
City Hall Operations	201
General Fund Insurance	206
Police Department	207
Police Administration	209
Patrol	212
Police Special Operations	217
Police Support Services	222
Police Fleet	226
Police Records	227
Fire Department	230
Fire Administration	232
Fire Inspection & Prevention	241
Fire Fighting & Rescue	248
Community Development	255
Planning & Building Services	257
Community & Housing Services	264
Department of Public Works	272
City Engineer	275
Department of Public Works Operations	282
Central Stores	289
Street/ROW Operations	293
Snow Removal & Ice Control	298
Parks & Leisure Services	302
Parks	302
Recreation	309
Krueger Pool	315
Grinnell Senior Center	318
Rotary River Center	323
Edwards Pavilion & Ice Arena	326
Big Hill Park Center	331
7. Capital Improvement Funds Section	
Capital Improvement Funds Summary	333
2015 CIP Process	334
2015 Capital Improvement Budget	343
2015 - 2020 Capital Improvement Program in Concept	349
2015 - 2020 CIP Unfunded Projects	354
2015 - 2020 GO, TID and Utility Revenue Bond Borrowing	356
General Obligation Indebtedness	360
General Obligation Debt Service Plan	361
Debt Load Limitations	362
2015 CIP Project Requests	363
CIP Engineering	405
Equipment Replacement Fund	409
Computer Replacement Fund	412

TABLE OF CONTENTS

8. Debt Service Fund Section	
Debt Service Fund Summary	414
2015 Debt Service Operating Budget	415
Long Term Obligations.	416
Governmental Activities General Obligation Debt.	417
Business Type General Obligation Debt and Revenue Debt	418
9. Enterprise Funds Section	
Enterprise Funds Summary	419
Krueger-Haskell Golf Course	420
Cemeteries	427
Water Pollution Control Facility	433
Water Utility	452
Storm Water Utility	459
Ambulance	465
Mass Transit	471
10. Special Revenue Funds Section	
Special Revenue Funds Summary	478
Police Grants	479
SAFER Fire Grant	484
Community Development Block Grants	487
HOME Program	493
Park Impact Fees	497
MPO Engineering Grant	498
TID #5	501
TID #6	504
TID #8	507
TID #9	510
TID #10	513
TID #11	516
TID #12	519
TID #13	522
TID #14	525
Solid Waste Fund	528
Public Library	534
11. Internal Service Funds Section	
Internal Service Funds Summary	543
Fleet/Equipment Operation and Maintenance	544
Municipalities Mutual Insurance	548
Health and Dental Plan	552
12. Glossary Section	
Glossary of Budget Terms	554
Glossary of Acronyms	559



November 3, 2014

To Council President Mark Spreitzer, Members of the City Council, and
Citizens of the City of Beloit:

It is my pleasure to present to you the Adopted Operating and Capital Improvements Program Budgets for the fiscal year beginning January 1, 2015. All funds are balanced using current revenue estimates and available resources while maintaining the City's financial security and meeting the service demands of the community. The budget process is designed to allow the City to allocate resources to meet community needs, as expressed in the City Council's Vision and Mission Statements and Strategic Plan and Goals.

The State of Wisconsin biennial budget adopted in June of 2013 did not increase or reduce revenues for the City; therefore, balancing the budget this year did not require any service reductions. The City's major State funding sources have been preserved for next year with no cuts in shared revenue or other major funding programs. There is a budgeted increase in highway aid payments for 2015. The State also retained the same formula for calculating the property tax levy limit which remains at either 0% or the percent increase in net new construction, whichever is greater. The City percentage increase in net new construction for 2014 is 1.06%.

The 2014 equalized assessed value totals published by the Wisconsin Department of Revenue in early August, which are based on 2013 property sales, indicated a 6.87% increase in the overall value of the property tax base with a 15% (13% before net new construction was considered) increase in the commercial class of property. The City challenged the 2013 assessment reduction before the Wisconsin Tax Appeals Commission, but has yet to receive a final decision.

As you will note in continuing your review of the adopted budget, it is very much a status quo document this year. Appropriation requests are actually down although no service reductions are recommended. The property tax levy is adopted with a very modest \$118,000 increase spread across several funds. There were no rate increases in the utility funds and no major fee increases in the other funds. The reduction in available fund balance in the General Fund, which will be discussed in more detail later in the letter, posed the greatest challenge in preparing this budget. The recommended solution, in addition to minimizing expenditures, is to increase the Wheel Tax amount from \$10 to \$20 for each vehicle registration. This amount, while small for each individual, will generate approximately \$250,000 in additional revenue, offsetting much of the reduction in fund balance. This increase will be effective on February 1, 2015.

BUDGET PROCESS AND OVERVIEW

The total adopted budget of \$90,895,333 is a reduction of \$565,947, or 0.62%, from the prior year's budget. The following chart summarizes the changes in expenditures by fund from 2014 to 2015:

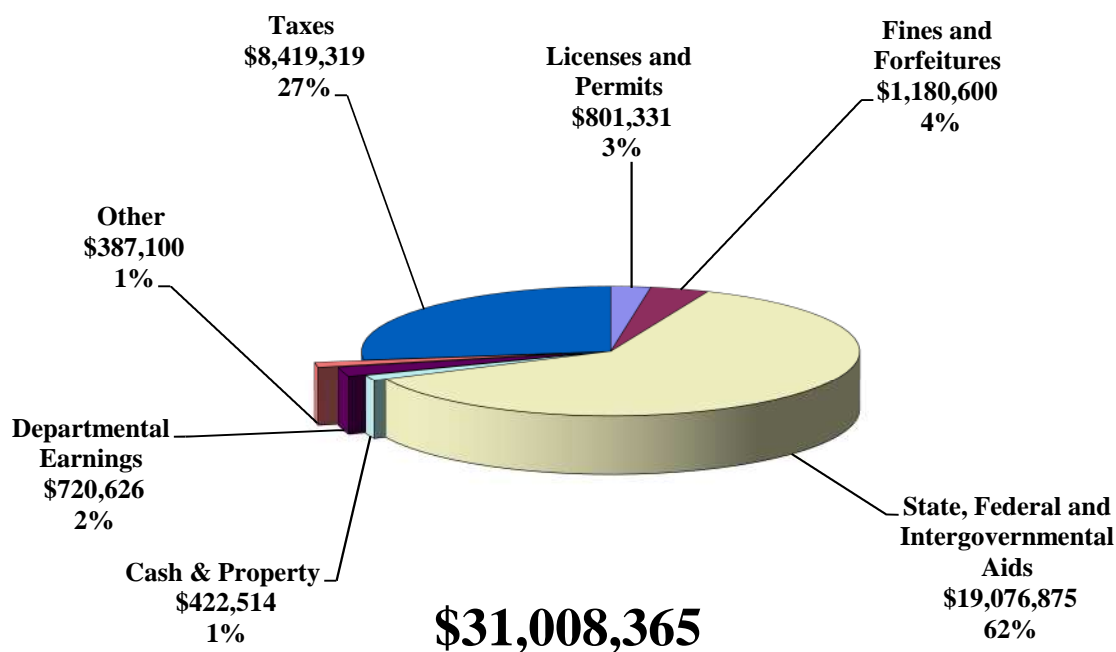
	2014 Adopted Budget	2015 Adopted Budget	Change Amount	Percent Change
General Fund	\$ 30,893,400	\$ 31,008,365	\$ 114,965	0.37%
Debt Service Fund	\$ 6,580,234	\$ 6,326,891	\$ (253,343)	-3.85%
Special Revenue Funds	\$ 14,547,364	\$ 15,064,042	\$ 516,678	3.55%
Enterprise Funds	\$ 18,409,303	\$ 18,392,049	\$ (17,254)	-0.09%
Total Operating Budget	\$ 70,430,301	\$ 70,791,347	\$ 361,046	0.51%
Internal Service Funds	\$ 12,292,014	\$ 12,108,669	\$ (183,345)	-1.49%
Total Budget with Internal Service Fund	\$ 82,722,315	\$ 82,900,016	\$ 177,701	0.21%
Capital Improvements Budget	\$ 8,738,965	\$ 7,995,317	\$ (743,648)	-8.51%
Grand Total Budget	\$ 91,461,280	\$ 90,895,333	\$ (565,947)	-0.62%

The City's budget process begins each year shortly after completing the Strategic Plan, usually in May or June. Staff works diligently throughout the summer with the department and division heads in order to prepare the budget for presentation to the City Council by the first meeting in October. Two workshops were held with the Council, one all day workshop on October 13 and another short workshop on October 20, where each department had the opportunity to present their proposed budget. The annual Capital Improvement Program was also reviewed during the workshop. A public hearing was held during the regular City Council meeting on Monday, October 20, 2014.

GENERAL FUND BUDGET HIGHLIGHTS

As should be noted from the chart above, the General Fund budget of \$31,008,365 is an increase of \$114,965 or 0.37% over the 2014 budget. This is a small percentage increase reflecting the resources available for use. General fund revenues show an increase over last year due primarily to two revenue sources, specifically the tax levy and the wheel tax. There was a \$46,160 increase to the General fund tax levy. The wheel tax increased from \$10 per registered vehicle to \$20 per registered vehicle, increasing revenues by approximately \$250,000. Even with the increases in these revenues, the City still needed \$300,000 of fund balance to balance the General Fund budget. This was a reduction of fund balance applied of \$326,840 compared to last year. The use of fund balance is within the guidelines of the City's fund balance policy limit.

2015 City of Beloit General Fund Revenues



Revenues

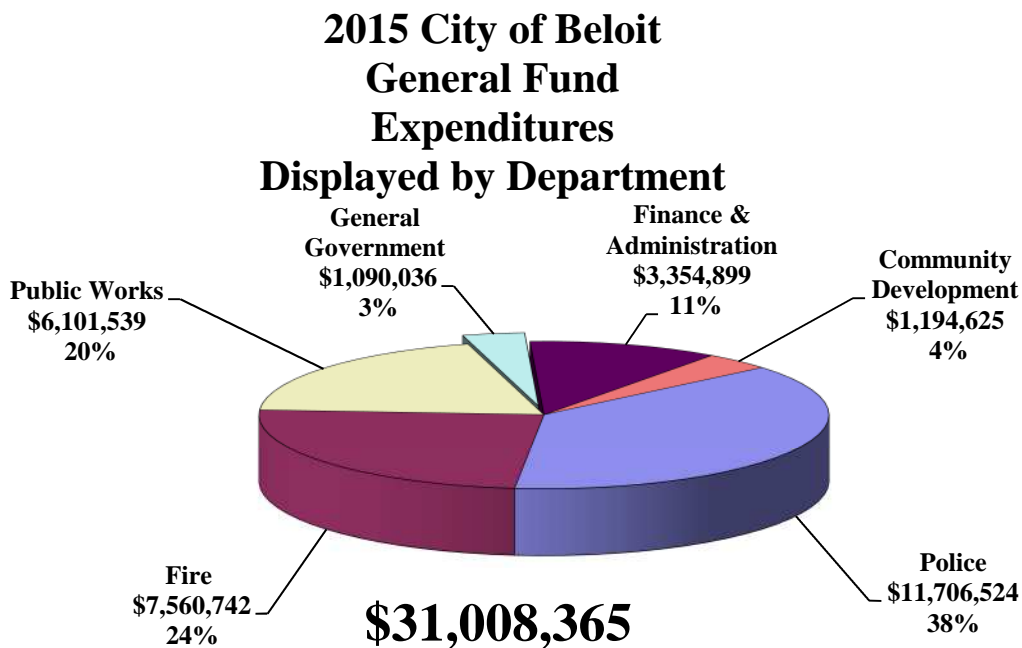
The City receives substantial funding for its general government services from State and Federal government sources. In 2015, \$19 million of the General Fund budget will be supported by State and Federal aid. This represents 62% of General Fund revenues. Municipal aid payments from the State of Wisconsin comprise the largest single source of the City's State and Federal aid. The State budget for the 2013-2015 biennium will retain current funding levels with an approximate 4% increase in highway maintenance payments for 2015. The largest local source of revenue for the City's General Fund is the property tax. The General Fund portion of the tax levy is \$6.9 million, which is a \$46,160 increase over last year's tax levy. The property tax levy is discussed in greater detail later in the transmittal letter. Aside from the wheel tax, most General Fund revenue sources are expected to remain stable for next year. There are signs of some economic recovery but it is not expected to have a significant impact on the City's ability to generate additional revenue at this time.

Fee Changes

Each year departments review their various user fees and charges for services to make certain they properly reflect the cost of providing the underlying services. There were no significant increases to user fees or charges for services for 2015.

Expenditures

The 2015 General Fund operating budget totals \$31 million, an increase of \$114,965 or 0.37% from last year. The budget provides funding for all major programs and service levels as depicted in the chart below. Public safety remains the dominant use of General Fund expenditures at \$19 million or 62% of the budget. The Fire department added an additional ½ position due to retaining 1 firefighter currently funded through the SAFER grant, which expires June 30, 2015. An application to extend the grant will be filed prior to the expiration of the current grant. Additional hours were added for the long term seasonals in the Streets budget. To offset these staff increases, the Finance and Administrative Services department combined the Budget & Finance Coordinator and Accountant positions into 1 Senior Accountant position. A Benefits Coordinator position has been added to the Human Resources Division but is fully funded from the Health and Dental Insurance Fund. There is a small 1% across the board salary range adjustment consistent with the recent non-rep pay plan. The Clerks budget was reduced due to fewer elections, legal services were reduced in Human Resources, and consulting services were reduced in Information Systems. One item of note that resulted in a small increase in the parks budget is the purchase of the Girls Scouts building located at Big Hill Park. A new cost center was added to the budget to track Revenues and Expenses. The City estimates an increase of approximately \$15K in expenditures related to operating the building. All other department changes from 2014 were negligible.



MUNICIPAL TAX LEVY

As of January 1, 2014, property assessed values totaled \$1,566,511,072, which is a decrease of \$11.9 million or 0.75% from the prior year. The assessed values are provided by the city assessor and will be used to calculate the 2014 property tax bills that are collected in 2015.

The average residential property value in the City is estimated at \$77,100 for 2014. This is based on a total 11,472 residential parcels in the City. This value is slightly below last year's average of \$77,281. Residential property values in the City have dropped every year since their peak value in 2008. For the average residential property (valued at \$77,100), the City's portion of the tax bill will be approximately \$835, based upon the adopted tax rate. This would be approximately a \$14 increase for the average homeowner over the prior year. Individual tax bills will vary according to changes in property values based on sales or improvements made to the property during the year. The following is the adopted municipal tax levy for 2014 to be collected in 2015. The total property tax levy is \$14,300,029, an \$118,084 increase from last year. The increase in the tax levy was a direct result of the 1.06% increase in net new construction, resulting in an additional \$106,012, while the debt service portion of the tax levy will increase \$12,072. The tax levy continues to be allocated to the transit, library, cemetery, and golf course to help cover their operating costs. The transit fund was allocated additional levy in order to continue providing services at existing levels. There was also additional levy allocated to the Police department grant funded positions in order to fund the total local share of the third SRO position added to the 2014-2015 school year contract. The 2014 municipal property tax rate increased 1.92% to \$10.829, or \$0.204 per \$1,000 of assessed value.

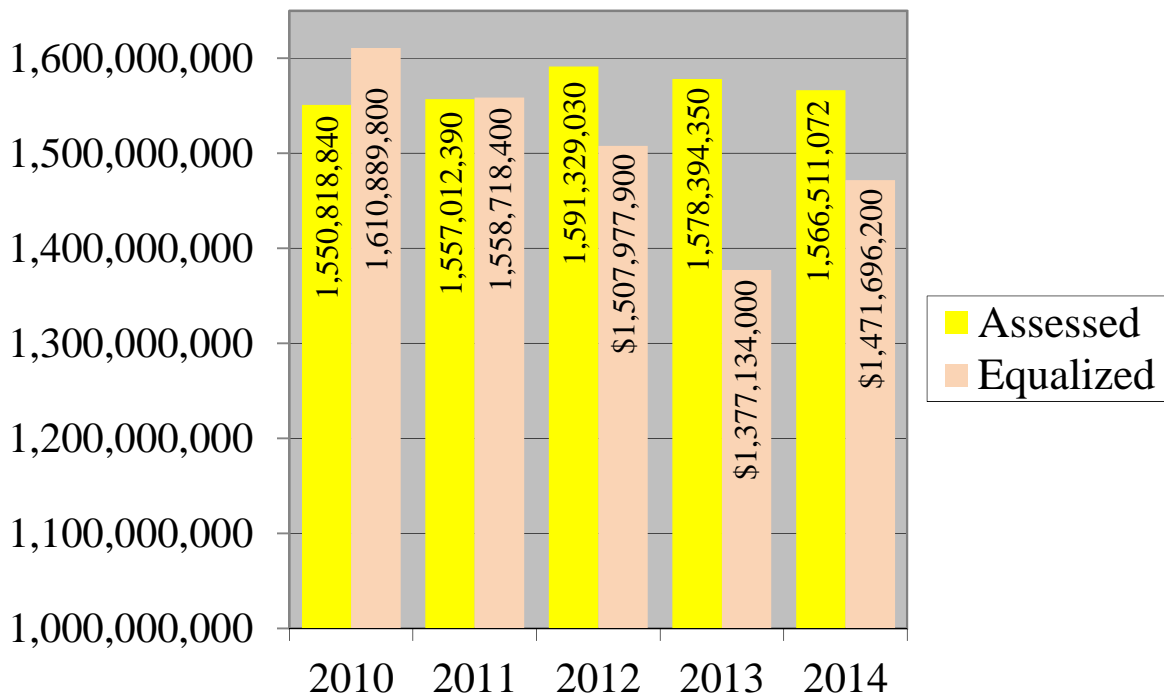
2014 Payable 2015 Municipal Tax Levy - All Funds

	2013/2014 Adopted	2014/2015 Adopted	\$ Change	% Change
General Fund Levy	\$6,854,159	\$6,900,319	\$46,160	0.67%
Debt Service Levy	\$4,787,928	\$4,800,000	\$12,072	0.25%
Mass Transit Levy	\$534,367	\$584,719	\$50,352	9.42%
Public Library Levy	\$1,775,877	\$1,780,877	\$5,000	0.28%
Police Grant-OJAI Beat Patrol	\$62,000	\$40,000	(\$22,000)	-35.48%
Police Grant-School Resources	\$60,000	\$90,000	\$30,000	50.00%
Police Grant-Bulletproof Vest	\$3,500	\$0	(\$3,500)	-100.00%
Engineering Grant-MPO				
Traffic	\$26,000	\$26,000	\$0	0.00%
Golf				
Course	\$50,000	\$50,000	\$0	0.00%
Cemetery	\$28,114	\$28,114	\$0	0.00%
Total Property Tax Levy	\$14,181,945	\$14,300,029	\$118,084	0.83%
Assessed Value	1,578,394,350	1,566,511,072	(\$11,883,278)	-0.75%
Tax Rate WO/TIF	\$8.985	\$9.129	\$0.144	1.60%
Tax Rate W/TIF	\$10.624	\$10.829	\$0.204	1.92%

**City of Beloit
Property Tax Rates
2010-2014**



**Tax Base Growth for City of Beloit
2010-2014**



PROPERTY VALUES AND THE TAX BASE

Until this year, there had been a steady decline in the City's property values and tax base. Most of this decline can be attributed to the recent economic crisis which continues to show signs of improvement. Each year the Department of Revenue estimates the fair market value of all taxable real and personal property in each taxation jurisdiction. This is commonly referred to as the equalized value or EAV. This estimate is based on information the local assessor reports to the Department of Revenue. The City's 2014 equalized value increased 6.87% to \$1,471,696,200. The commercial class of property increased 15% or \$53 million. These values are used in State Aid allocation formulas, apportionment of property taxes among the various taxing jurisdictions, calculating allowable General Obligation debt limits, and calculating the tax increment amount within the City's Tax Increment Districts. The State of Wisconsin has a dual system of property valuation and the City uses the assessed values as determined by the local assessor for the actual property tax bill calculations. The assessed value decreased by \$11.9 million, or .75%, to \$1,566,511,072.

The City filed an appeal of the 2013 and 2014 EAV before the Wisconsin Tax Appeals Commission. A final decision from the Commission has not been received as of yet.

TAX INCREMENTAL FINANCING DISTRICTS (TID) AND DEBT SERVICE HIGHLIGHTS

Tax Increment Districts

The City of Beloit funds most of its economic development efforts through its Tax Increment Financing Districts (TID). The City has created 14 TID's over the years and has nine active districts. All but one of the active TID's are self-supporting, including the repayment of advances to other funds and debt service coverage. The following chart summarizes the valuation changes that occurred within the TID's for 2014. All of the TID's with the exception of TID 12 realized increases in their increment values compared to last year. Our projections indicate that all TID's except No. 8 will positively cash flow and meet their obligations for 2014. There are three capital improvement projects planned for 2015 in the TID's.

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TID Valuation Analysis 2014 vs. 2013

<u>TID #</u>	<u>1/1/2014</u>	<u>1/1/2013</u>	<u>Change</u>	<u>% Change</u>
5	\$ 30,640,490	\$ 25,703,890	\$ 4,936,600	19.21%
6	\$ 29,466,400	\$ 26,453,700	\$ 3,012,700	11.39%
8	\$ 4,202,400	\$ 3,690,100	\$ 512,300	13.88%
9	\$ 4,492,300	\$ 2,532,500	\$ 1,959,800	77.39%
10	\$ 139,026,900	\$ 135,793,000	\$ 3,233,900	2.38%
11	\$ 7,480,000	\$ 7,047,100	\$ 432,900	6.14%
12	\$ 1,245,700	\$ 2,765,900	\$ (1,520,200)	-54.96%
13	\$ 12,699,900	\$ 7,611,200	\$ 5,088,700	66.86%
14	\$ 1,791,000	\$ 863,000	\$ 928,000	107.53%
TID Increment Value	\$ 231,045,090	\$ 212,460,390	\$ 18,584,700	8.75%
TID Total Value (Incr + Base)	\$ 315,559,600	\$ 296,974,900	\$ 18,584,700	6.26%
Total City EAV	\$ 1,471,696,200	\$ 1,377,134,000	\$ 94,562,200	6.87%
TID Increment Value as % of Total	15.70%	15.43%	0.27%	
TID Out Value	\$ 1,240,651,110	\$ 1,164,673,610	\$ 75,977,500	6.52%

Debt Service Fund

Debt service payments scheduled for 2015 totals \$12.7 million. This amount includes \$5.6 million for general obligation debt, \$2.6 million for utility revenue bonds, \$1.3 million for TID financing, and \$3.2 million in CDA Lease Revenue Bonds issued primarily for TID No. 5 & 10. The portion being paid from the debt service tax levy is \$4.8 million, an increase of \$12,072 from last year. The balance is paid from the TID's, fundraising for the Library, and various funds which received benefit from the respective borrowings. The tax rate for general debt service is \$3.06 per \$1,000 of assessed value and \$3.87 per \$1,000 of EAV, which is well within the target rates of \$3.80-\$4.25 per the City's Debt Policy.

ENTERPRISE FUNDS HIGHLIGHTS

The underlying principle of Enterprise Funds is that the primary source of operating revenue is derived from user fees (direct charges for services rendered) rather than general purpose governmental revenue (property taxes). It is not necessary for the fund to be totally self-supporting to be classified as an enterprise fund. The City's enterprise operations include; the municipal golf course, water, storm water, sewer, transit, ambulance, and cemetery funds. Most of these funds are self-supporting and funded exclusively by user fees and charges. The funds that are not fully self-supporting (golf course, transit, and cemetery) require either tax levy support or operating assistance from other funds to subsidize their operations.

Municipal Golf Course

During the last several years, staff has devoted considerable time preparing the budget for the Krueger-Haskell Golf Course including reviewing and studying current trends in golf, and utilization levels at the Golf Course. Each year the fees have been reviewed and adjusted to ensure they remain competitive with other area courses as well as providing incentives to attract additional play. None of these efforts have proven to have a significant impact on generating sufficient revenues to operate the facility without a tax levy subsidy. The tax levy includes \$50,000 devoted to help fund the Golf Course.

Cemetery Funds

The Cemetery perpetual care fund has been affected by lower interest rates since 2008 resulting in less investment income available for funding cemetery operations and will require \$28,114 of tax levy in 2015. Rates will increase by 3% for 2015.

Transit Fund

The Transit budget for 2015 is \$2.1 million with a sizeable tax levy increase of \$50,352. Federal and State grant programs fund most of the transit operating and capital costs. The current base fare of \$1.50 will remain the same in 2015. Fare revenues account for approximately 11.5% of the operating budget.

Water Pollution Control Facility (WPCF)

The total operating budget for the WPCF is \$7 million. There are no user fee changes for sanitary sewer services next year.

Water Utility

The budget for the water utility is \$6.1 million. This includes a payment in lieu of taxes (PILOT) to the General Fund of \$906,000. Debt service principal and interest payments are \$2,464,289.

Storm Water Utility

The budget for the Storm Water Utility for 2015 is \$1 million. The City established the Storm Water Utility to comply with Federal and State mandated clean water requirements and all improvements are in compliance with these standards. User fees are assessed to pay for the costs associated with these services. There are no changes to the user fee for 2015.

SPECIAL REVENUE FUND HIGHLIGHTS

Solid Waste/Recycling

The residential Solid Waste removal fees will remain \$14.00 per month. However, extra containers of trash (over five per week) will increase from \$1.00 to \$1.50 per bag or container and bulky items will be charged the same as appliances and increase from \$15.00 to \$20.00 per item. All other fees will remain the same.

Library

The total operating budget for the Library is \$2.2 million. The tax levy for the library will increase by \$5,000 to \$1,780,877 for 2015.

CAPITAL IMPROVEMENT BUDGET HIGHLIGHTS

Next year's Capital Improvement Program (CIP) budget includes projects totaling \$6.3 million which is \$576,509 less than 2014. The CIP has been limited the last few years due to the City's reduced borrowing capacity which has been impacted by the decreases in EAV. However, in 2014 the EVA increased by almost 7%. Funding for the CIP projects consists of \$3.4 million in general obligation bonds, \$640,000 in TIF financing, \$1.7 million in fund balance, equipment funds, and operations (primarily from tax increment and utility revenues), and \$500,000 from special assessments, State and Federal aids, and other funding. The projects include \$3.6 million in infrastructure improvements, \$853,400 in capital equipment, \$1.6 million in economic development and buildings and grounds and \$155,000 in financing.

The City's debt policy requires maintaining an outstanding general obligation debt to equalized assessed value ratio of 3.5% or less. The increase in EAV, along with smaller bond issues, is the primary reason the ratio has fallen back to within policy. The City anticipates being below the policy level at 3.45% with the \$3.4 million in general obligation borrowing planned for next year. Projections made earlier this year were for the ratio to be at 3.77% in 2015 so the return to policy compliance one year earlier than projected is indeed good news.

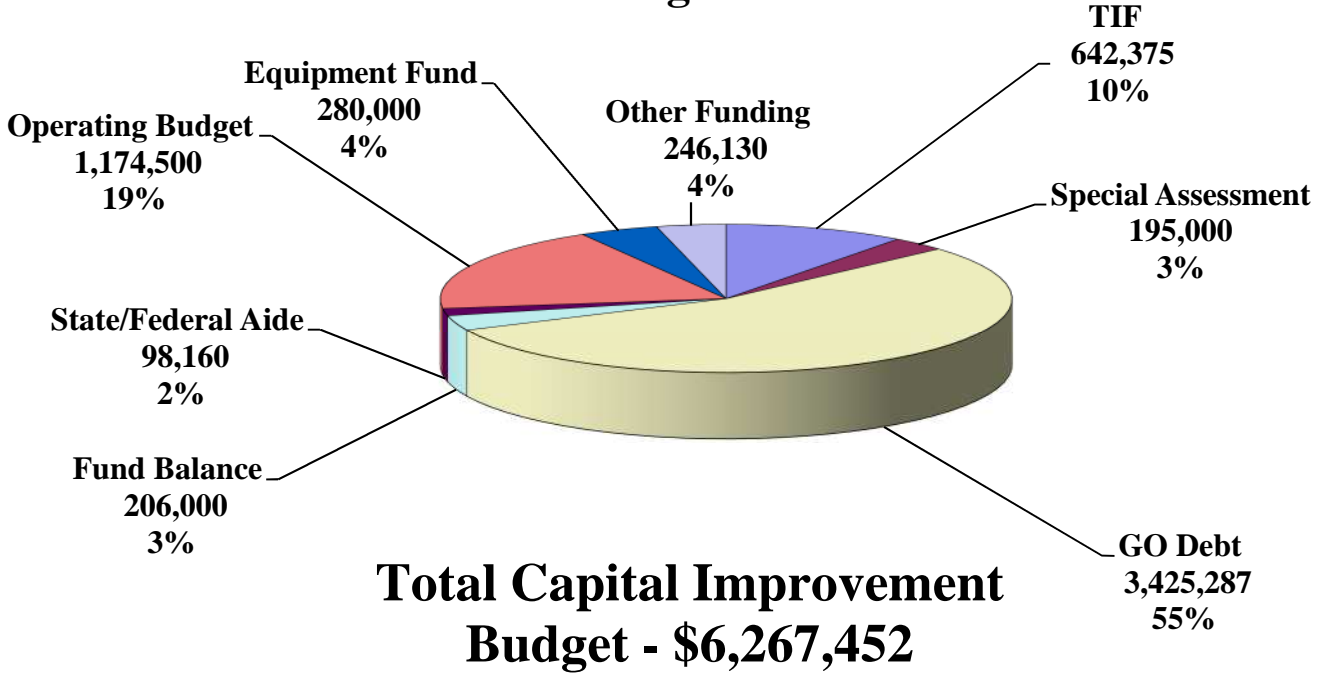
The 2015 CIP budget meets the City's debt policy guideline for borrowing, which includes:

1. Maintain compliance with the debt policy parameter of total debt equal to or less than 3.5% of the equalized assessed value.
2. Fund projects that are necessary as responsible stewards
3. Fund projects that directly increase tax base
4. Fund projects that indirectly enhance tax base
5. Fund projects with minimal or no tax consequences
6. Explore alternative options to finance public infrastructure

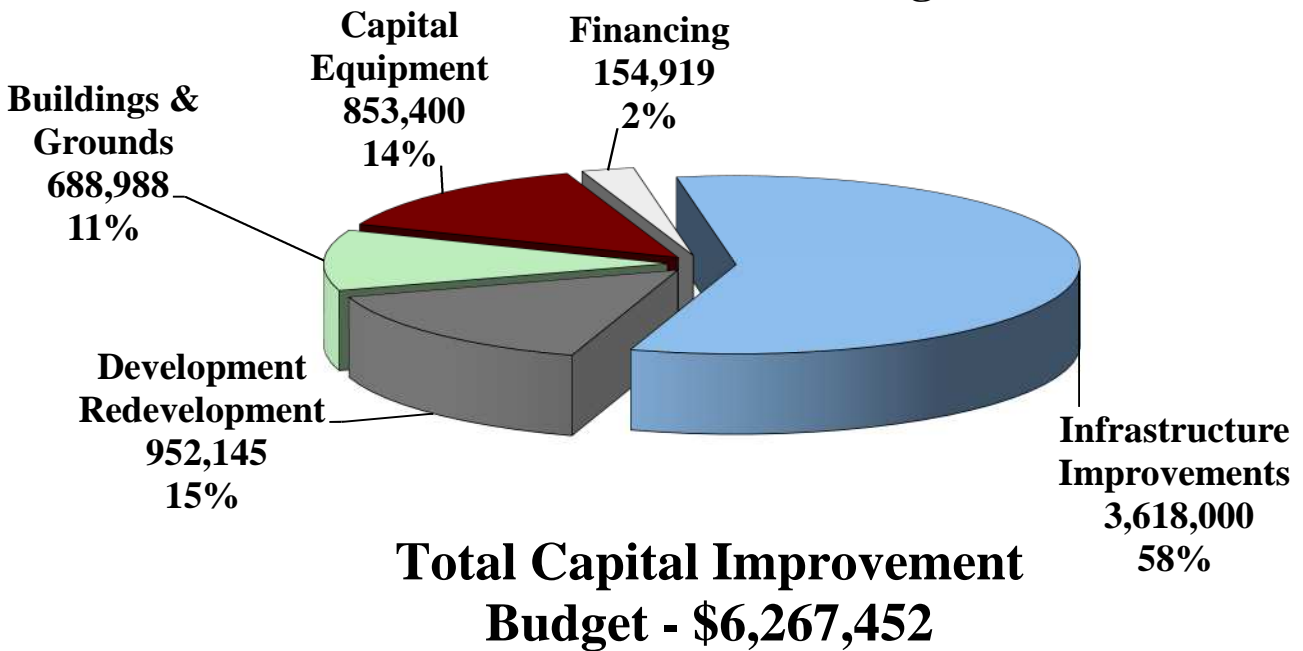
The following charts provide a graphic view of the capital budget showing both the funding sources and project types.

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2015 Capital Improvement Budget Funding Sources



2015 Capital Improvement Budget Uses of Funding



MAJOR CAPITAL PROJECTS

Street and Intersection Improvements

Most of the street projects scheduled for next year will be limited to intermittent street resurfacing at various locations around the City, as well as funds for sidewalk improvements and terrace tree plantings. Together these total over \$2.3 million for next year. The final phase of Bayliss Avenue from Nelson to the tracks will be finished. The final phase of Inman Parkway extension from Prairie Ave. to Shopiere Road will be also be completed.

Economic Development

Projects funded from the tax increment districts include Eagles Ridge Park in TID #10, Branigan Frontage Road realignment and Ford Street area road realignment in TID #13.

City Facilities

Several park and recreation projects totaling \$688,988 are included in the CIP. These include park amenities and enhancements, recreation facility improvements, and Pohlman Field improvements. The salt shed roof at DPW Operations is scheduled for replacement in 2015.

Capital Equipment

The Fire Department is replacing its self-contained breathing apparatus, Engine 693 and Ambulance 6209 and public works is planning to purchase a new emulsion storage tank. The City Clerk's office will also be purchasing new voting equipment.

2016-2020 Capital Improvement Plan

The 2016-2020 Capital Plan identifies capital projects and estimates the cost presently projected for the ensuing five year planning period. The projects identified in these years are either multi-year projects continued from previous years or are those projects worth consideration for which funding has not been identified. The funding for most of these projects will largely depend on the City's ability to issue new general obligation bonds in relation to the City's established debt policies which will be impacted by changes to the equalized assessed values. Also noted in the Capital Plan is a list of projects that were not included on the schedule for future consideration. These projects did not rise to the priority level for inclusion in the Capital Plan either due to the need for the project or available funding.

CHALLENGES FOR THE FUTURE

At least for next year there is some certainty on what to expect from the State of Wisconsin in the form of fiscal assistance since the biennial budget was approved in June of 2013 for the ensuing 2013-2015 fiscal period. There were no major changes to State funding programs with the exception of highway maintenance which will see a slight increase in funding for 2015. The State has continued the freeze on the tax levy with the exception to allow for growth based on net new construction. The health of the local economy and continued funding by the State will be important in determining how well the City meets its future budget needs. There are signs that the local economy is improving with several new development projects scheduled for completion in early 2015. These projects will help restore some of the recent losses to the tax base.

One of the issues imposed on cities by the State through its budget process is capping the property tax levy, not including debt service, at 0% or the percent of net new construction so that local governments do not have the option of raising revenue should that be desirable to the local governing boards. Clearly, some means needs to be provided so that local governments can raise the revenue necessary to deal with increasing costs, should that be the preference in that local community.

A major challenge facing the City is the lack of significant growth in the tax base. Even though the EAV increased by \$94.5 million this year, since values peaked in 2009, the City's values have declined over \$272 million or 16%. The reduction has adversely impacted the City by making less funding available to support the Tax Increment Districts and the capital improvements program. The City's general obligation borrowing capacity is linked directly to the total EAV. This is the primary reason the CIP for 2015 is virtually the same as the past few years. It was not due to the lack of projects, but the inability to borrow the funds necessary to meet our infrastructure needs.

Another major concern is the general fund balance for the City. Preserving the fund balance at or above policy is absolutely essential to the City's fiscal health and wellbeing. It affects everything from the ability to cover operating expenses during periods of reduced cash flow, to preserving the City's A+ bond rating. For the 2014 budget, the City was comfortable budgeting \$600,000 of fund balance and still having some flexibility if future unforeseen events should arise. In the early months of 2014 two such events occurred; a grievance settlement with the fire union and an extended snow and ice season. Both of these events had a direct negative impact on the fund balance. That said, for 2015, the amount of fund balance available for use in the General Fund was \$300,000, which the City can appropriate and still keep the balance compliant with current policy. This is a reduction of over \$300,000 from the 2014 budget. The City will continue to monitor the use of fund balance to determine resources, if any, that will be available in future fiscal years.

Going forward, the City must also continue to monitor its health care costs. There remains a significant issue of uncertainty and concern in the face of the new Federal Affordable Care Act. Since 2009, the City has increased its self-insured premiums by 43%, however, for two consecutive years the City completed the year with a slight surplus in the health fund. If claims continue at their current pace we expect the same to occur this year. However, the overall fund balance is still in a deficit status. There are no premium increases scheduled for 2015 as well as

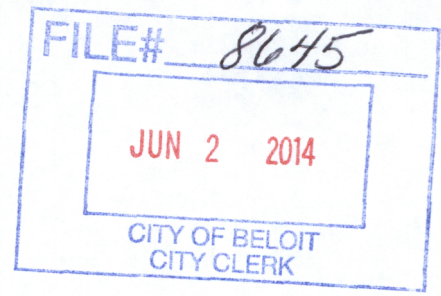
no major changes to plan benefits. Another issue related to health care is the cost associated with retiree health benefits. This is a problem most public employers are facing. The City is now spending approximately \$2.4 million or 8% of its annual General Fund budget on retiree health care for the two public safety departments. The calculated actuarial required contribution is \$8.5 million for retiree health benefits. This would be 27% of the City's General Fund budget. As part of our required annual financial reporting disclosures our unfunded actuarial accrued liability for post-employment health benefit costs exceeds \$136 million. Obviously it would be very difficult to fund retiree health benefits at these expected levels.

Finally, I want to extend my sincere appreciation to all of the Department and Division Heads for their assistance in the preparation of this budget. I want to particularly thank Eric Miller, Jessica Tison, and the staff of the Finance Department who coordinate the overall effort of developing this document. Despite the significant challenges faced in the budget preparation process, everyone continues to work diligently toward our goal of developing a balanced budget and special recognition should be given to all of the departments for their efforts to hold the line and deliver quality public service to our citizens with limited resources.

Sincerely,

A handwritten signature in black ink, appearing to read 'Larry N. Arft', with a long horizontal flourish extending to the right.

Larry N. Arft
City Manager



**RESOLUTION
ADOPTING THE CITY OF БЕЛОIT STRATEGIC PLAN FOR 2015**

WHEREAS, the success of a local government depends on a well defined Strategic Plan and a dedication to its implementation; and,

WHEREAS, the Beloit City Council held a workshop on May 12, 2014, to modify and reaffirm its vision, mission, goals, and key strategic objectives for 2015; and,

WHEREAS, each of the city’s departments presented their Strategic Plans to the Council at the workshop on May 12, 2014; and,

WHEREAS, the Beloit City Council wishes to build on the past efforts of the Strategic Plan; and,

WHEREAS, as the City of Beloit remains abreast of our changing environment, the needs of our citizens, continuously searching for methods to improve the efficiency of service delivery, and improving the quality of work being produced by City staff.

NOW, THEREFORE, BE IT RESOLVED by the Beloit City Council that the City of Beloit Strategic Plan for 2015 as attached hereto is hereby adopted including the following Vision and Mission Statements, along with Goals to support the Strategic Plan.

VISION STATEMENT

Greater Beloit – The gem of the Rock River Valley, embracing sustainable public policy, service delivery, and development in ways that protect the natural and built environment, enhance economic competitiveness and create a high quality living experience for current and future generations.

MISSION STATEMENT

The City of Beloit celebrates its proud heritage, diverse culture, entrepreneurial spirit and stewardship of a high quality of life; employing sustainable practices to continue its resurgence as the gem of the Rock River Valley.

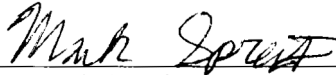
GOALS

1. As an eco-municipality, focus on the sustainable stewardship of City resources, services and infrastructure; to protect both our built and natural environment and enhance the quality of life for current and future generations.

2. Continue competitive and sustainable economic development focused on workforce development, as well as business retention and recruitment to fully serve the business and entrepreneurial community resulting in private investment and job creation.

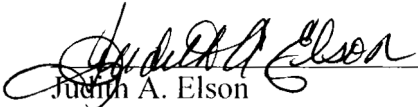
3. Proactively partner with individuals and businesses to promote a safe and healthy community, minimize personal injury, prevent loss of life and protect property and natural resources.
4. Collaborate with other jurisdictions and organizations to foster effective and efficient service delivery, reducing cost for taxpayers and stimulating regional prosperity.
5. Apply sound, sustainable practices to promote a high quality community through historic preservation, community revitalization, and successful new development.

Dated at Beloit, Wisconsin, this 2nd day of June 2014.



Mark Spreitzer
President of the Council

Attest:



Judith A. Elson
Deputy City Clerk