

Minutes of the Finance Committee
Village of Shorewood Hills
Wednesday, June 20, 2007
(approved on Tuesday, July 24, 2007)

- 1) **Called to Order:** Chair Benforado called the meeting to order at 5:33 pm. Committee members present: Chair/Village Trustee Dave Benforado, Village President Mark Sundquist, Dave Ahman, Gard Strother, Fred Wade, Karl Wellensiek, Jerry Weygandt. Village Administrator Karl Frantz and Village Clerk Cokie Albrecht were also present.
 - a) **Noted Compliance with Open Meeting Law:** Benforado noted the meeting had been properly noticed.
 - b) **Approved Prior Meeting Minutes:** the Committee reviewed the draft minutes from the May 9, 2007, Finance Committee meeting. Motion to approve by Sundquist, second by Wade, passed.

- 2) **Reviewed / Recommended Stormwater Utility Rate and Annual Budget:**
 - a) Frantz and Benforado reviewed the history of the Village Stormwater Utility, its creation by an ordinance adopted by the Village Board and the need to determine what the associated Stormwater Utility rate or ERU (Equivalent Residential Unit) fee should be. Frantz indicated that the Stormwater Utility is already accruing expenses. Albrecht indicated that if an ERU was approved by the Village Board by no later than the September 2007 Board meeting, the Fall Water/Sewer Utility bills could contain this fee.
 - b) The Village Stormwater Ad Hoc Committee had originally recommended an annual stormwater utility budget of \$207,000 assuming that the UW Hospital would be contributing to it since a portion of the UW Hospital sits in the east side of the Village. However it was later learned that UW Hospital takes care of its own stormwater and that they would therefore not contribute to the Village's Stormwater Utility. Backing out the UW Hospital's contribution increased the ERU fee to \$153. The Committee agreed this was too high, and that a lesser amount would be desirable.
 - c) The Committee discussed the pros and cons of a Stormwater Utility fee. Such a fee is not tax deductible as property taxes are. But more of the burden for the fee would be shifted to property owners in the Village who have large impervious surfaces (e.g., parking lots) or who currently do not pay property taxes (e.g., tax-exempt entities). Currently residential property owners in the Village pay 82% of the total property tax bill each year, whereas residential property owners would pay 51% of the total stormwater utility budget, the remaining 49% being broken down between commercial property owners (34%) and tax-exempt property owners (15%, 7 or 8% of which is Village owned property).
 - d) The Committee expressed support for the objective that the ERU be based on an annual Stormwater Utility budget, with long term capital projects amortized over 20 years or project life. Frantz presented a draft Stormwater Utility budget that included annual maintenance, administrative and educational expenses, street sweeping expenses and capital improvement project costs. On the latter point, Frantz presented a six year list of pending road reconstruction projects in the Village that included stormwater components, other stormwater projects (e.g., at the marina and the beach house, infiltration projects, etc.) and capital purchases (e.g., a new streetsweeper), which totaled roughly \$1.3 million. Based on that information, the Committee roughly calculated an ERU of \$103.
 - e) **Motion by Ahman, second by Wade, to set the ERU at \$103, subject to that amount being supported by financial analysis by Village staff, motion passed.**

- 3) **Reviewed/Recommended 2007 Borrowing Investment Options:** Frantz apprised the Committee of the options as to how to invest the majority of the \$2.6 million NAN (Note Anticipation Note) proceeds which the Village borrowed earlier this year at 4% until that money is needed. Frantz indicated that we

should consider \$1.5 million as the pool we can safely invest for one year. The options include the LGIP (Local Government Investment Pool), currently earning 5.19%, or CDs, Treasury bills, etc. which generally have equal or lower interest rates. The sense of the group was to leave the money in the LGIP since interest rates will in all probability only go up over the next year.

- 4) **Status Report on Levy Limit Penalty Appeal:** Frantz apprised the Committee that State Senator Fred Risser and State Representative Spencer Black have been very helpful in terms of arranging a correction to the State's \$4,500 levy limit penalty against the Village (due to a Dane County tax roll data entry error) to be placed in the State Budget bill currently under consideration by the State Legislature.
- 5) **Discussed Village Financial Policies:** Frantz distributed and summarized three draft "Village Financial Policies", and the Committee agreed to discuss them in greater detail at its next meeting and asked for one additional which would describe the Village annual budget document and process, the four titles listed below:
 - a) Fund Balance Policy (Undesignated/Unreserved);
 - b) Debt Policy (Tax Supported);
 - c) Investment Policy; and
 - d) Village Annual Budget Document and Process (Annual and Capital Budgets).
- 6) **Reviewed 2006 Virchow Krause Audit Report of Village Finances (Financial Statements, Management Letter and Report on Internal Controls):** the Committee reviewed the 2006 VK final audit report of Village finances, noting that it was a "clean unqualified opinion", the Village's much improved "undesignated fund balance" (the December 31, 2006, undesignated fund balance is approximately 23% of the Village's 2007 general fund budgeted expenditures, versus 17% one year prior and 7% the year before that), and that the Village's general obligation debt at the end of 2006 was 28% of the debt limit.
- 7) **Update on Virchow Krause Audit of Blackhawk Country Club Gross Revenues:** Frantz, Wade and Benforado apprised the Committee of the meeting in mid-May that they had with representatives of the Country Club regarding the questions about the Club's gross revenues raised by VK in its May 8, 2007, memo to the Village. Benforado reported that the Club representatives stated there was nothing improper about its not declaring 100% of the bar service charges in its gross revenues, that 1/3 of that amount was held back for distribution to bar employees and therefore not reportable as gross revenues. Frantz reported that VK had made a presentation at the June 18, 2007, Village Board meeting with its draft audit of the Club's gross revenues, and that VK's audit report of the Club's gross revenues has not been finalized yet.
- 8) **Confirmed Future Meeting Dates:**
 - a) Wednesday, September 12 (5:30 pm) – review 8-month FY '07 Village budget totals; initial discussion of Village FY '08 budget;;
 - b) Wednesday, September 26 (5:30 pm) – continue Village FY '08 budget discussions;
 - c) Wednesday, October 10 (5:30 pm) – finalize FY '08 budget recommendation to the Board;
 - d) Wednesday, October 24 (5:30 pm) – tentative extra meeting if needed for FY '08 budget.
- 9) **Adjourned:** at 7:07 pm

Respectfully submitted on July 22, 2007, by Dave Benforado, Chair.