

**Minutes of the Finance Committee
Village of Shorewood Hills
Wednesday, December 12, 2007**

(scheduled for review on Wednesday, January 16, 2008)

- 1) **Called to Order:** Chair Benforado called the meeting to order at 5:46 pm. Committee members present: Chair/Village Trustee Dave Benforado, Village President Mark Sundquist, Gard Strother, Fred Wade, Karl Wellensiek, Jerry Weygandt. Committee Member Dave Ahmann was excused. Village Administrator Karl Frantz and Village Clerk Cokie Albrecht were also present.
- 2) **Noted Compliance with Open Meeting Law:** Benforado noted the meeting had been properly noticed.
- 3) **Approved Prior Meeting Minutes:** the Committee reviewed the draft minutes from the October 24, 2007, Finance Committee meeting.
 - a) **Motion to approve** by Wellensiek, second by Wade. **Motion passed.**
- 4) **Summary of 2008 Village Budget:** Sundquist and Benforado explained the Village Board's action on 11/19/07 when it approved the FY 2008 Village Budget to set the Village levy at \$1,951,881 and to set aside \$30,000 in the FY 2008 Village Budget as a set aside (i.e., applied to the Fund Balance) to be used in FY 2009 to soften the 2% levy cap. This Board action differed from the 10/24/07 Finance Committee recommendation only in the amount set aside for FY 2009, due in large part to the fact that the Committee's 10/24/07 Village Budget recommendation was based on the 10/22/07 version of the State Budget provisions that the State Legislature passed rather than the 10/26/07 version of the State Budget that Governor Doyle signed into law in part using his line item veto authority to modify, the latter actually increasing the allowable levy limit increase for FY 2008 from 2% to 3.86% but not allowing for any carryover of unused levy authority. So, while the Committee had recommended that the Village carry over 100% of the unused levy authority from FY 2008 into FY 2009 (i.e., \$11,766), the Board opted to set aside roughly 50% of the larger amount of unused levy authority from FY 2008 for use in FY 2009 (i.e., \$30,000).
- 5) **Review and Recommendations on FY08 Village Enterprise Fund Budgets:**
 - a) Frantz led the Committee through a review of three – Sewer, Stormwater and Water – of the five Village “enterprise” fund budget worksheets. The Committee decided to review the other two – Pool and Waterfront -- at the January 16, 2008 meeting.
 - b) The phrase “enterprise fund” means that the user fees or rate charged should entirely support the actual cost of the enterprise (i.e., no subsidy from the Village General Fund). Thus, these enterprise funds are not included in the General Budget nor are they supported by any property tax levy.
 - c) The three enterprise budgets we reviewed have a total combined annual budget of roughly \$600,000, or for perspective, roughly a little less than 1/3 of the total Village tax levy.
 - d) Each worksheet listed FY06 Actual; three columns showing the FY07 Budget, FY07 Budget to Date and FY07 Projected Actual; and the FY08 Budget.
- 6) **Discussion Notes on the Sewer, Stormwater and Water Utilities:**

- a) **SEWER Utility:**
- i) projected FY08 revenues are \$205,000; almost half of the expenses (\$96,960) are paid to the City of Madison who treats the sewage;
 - ii) as to rates, the Village Sewer Utility is not regulated by the Public Service Commission (PSC); the current rates were approved by the Village Board on 3/20/06 based on a Virchow Krause recommendation; that VK recommendation was based on an assumption of \$212,578 in estimated revenues and that turned out to be an overly optimistic revenue assumption; so Virchow Krause is currently engaged in a sewer utility rate study to help us determine whether we need to adjust rates, and if so, when and by how much;
 - iii) the debt service amounts for FY07-09 are higher than normal, then will drop down to \$21,000/yr in FY10, but we will need to factor in the sewer portions of the new street project debt (we will know these numbers once we award the bid in Spring 2008); and
 - iv) thin to no reserves.
- b) **STORMWATER Utility:** The Committee briefly reviewed this budget since we had just approved a recommended Stormwater Utility budget on 7/24/07, which was approved by the Village Board on 9/17/07.
- i) projected FY08 revenues are \$146,000; \$42,540 (a little over 1/3) of the expenses are for DPW street sweeping expenses;
 - ii) we will need to factor in the stormwater portions of new street project debt and we will know these numbers once we award that contract in Spring 2008; and
 - iii) as to rates, the Village Stormwater Utility is not regulated by the PSC.
- c) **WATER Utility:**
- i) Projected FY08 revenues are \$247,665 (\$140,000 from residential; \$23,000 from commercial; \$72,000 from the Village General Fund for “Public Fire Protection”, based on PSC regulations that the water mains are oversized to provide for an ability to fight fires, and that fire fighting expense should be a regular Village expense and not paid for on water utility bills); of the expenses, \$86,000 (almost 1/3) is the amount we pay for purchased water from the City of Madison Water Utility and \$21,000 is a PILOT (Payment in Lieu of Tax, an amount determined by State Statute) payment back to the Village;
 - ii) as to rates, the Village Water Utility is regulated by the PSC (who limit our rate of return to apply only to our invested plant at depreciated cost, which for a Village like ours with no water towers or booster stations and very old depreciated plant, is not a very good rate of return); the last change in rates was approved by the PSC on 11/15/02;
 - iii) will need to factor in water utility portion of new street project debt and we will know that number when we award the contract in Spring 2008; Virchow Krause is currently engaged in a sewer utility rate study to help us determine whether we need to adjust rates, and if so, when and by how much; and
 - iv) thin to no reserves.

- 7) **Review and Recommendations on FY08 Capital and Equipment Replacement Plans:** Frantz reviewed both draft plans, explaining that staff works to keep these plans updated, and that it would be a good idea to have the Finance Committee review these plans each Fall for the coming year and make a recommendation to the Board. The Committee agreed, and upon

review of both plans, recommended that with a few minor modifications and corrections, they be forwarded to the Board for its consideration

- a) **Close out of FY07 Capital Plan:** Frantz reviewed for the Committee how line by line actual capital spending in FY 2007 compared with the FY2007 Capital Plan. Neither Frantz nor any Committee member could recall why we created a \$60,000 line item in the Capital Plan for “Heiden House/Four Corners”.
 - b) **Draft FY08 Capital Plan:** Frantz reviewed for the Committee the draft plan which listed the various planned capital expenditures including fire trucks, Fire Station/DPW remodel, Village Hall renovation, new salt storage facility, stormwater projects, and the proposed \$3.7 million street renovation schedule for 2008-2012; Frantz stressed that the two big wild cards that the Village Board really needed to wrestle with was if and when the Village will remodel or rebuild the Fire Station/DPW and/or the Village Community Center.
 - c) **Village Equipment Replacement Plan:** the Committee reviewed the spreadsheet dated 10/24/2007 listing all of the various pieces of DPW equipment, anticipated life, anticipated replacement year, and estimated replacement cost.
- 8) **Discussion and Recommendations on Financial Policies Including Collateralization and Authorization Levels:** the Committee tabled this item until the February 13, 2008 meeting.
- 9) **Eleven Month Financial Report:** the Committee tabled this item until the January 16, 2008 meeting, at which point we can review an initial end of FY 2007 summary report.
- 10) **Confirmed Future Meeting Dates and Tentative Agenda Topics:**
- a) **Wednesday, January 16, 2008 (5:30 pm)** – review details of FY08 Pool and Waterfront budgets; approve recommendation to Village Board on all five FY08 Village enterprise fund budgets (i.e., Pool, Sewer, Stormwater, Water and Waterfront);
 - b) **Wednesday, February 13, 2008 (5:30 pm)** – discuss, approve recommendation to Village Board on Village financial policies; and
 - c) **Wednesday, March 12, 2008 (5:30 pm)** – due diligence on bond issuance
- 11) **Adjourned:** at 7:04 pm.

Respectfully submitted on December 30, 2007, by Dave Benforado, Chair