

**Minutes of the Finance Committee
Village of Shorewood Hills**

Wednesday, October 9, 2013

(scheduled for review at the next Finance Committee meeting)

1. **Called to Order at 5:30 p.m.:**
 - A. **Committee Members Present:** Chair/Village Trustee Dave Benforado, Village President Mark Sundquist, Dave Ahmann, Fred Wade and Karl Wellensiek; Village Treasurer David Kuenzi (arrived at 5:40 p.m.); Gard Strother (arrived at 5:45 p.m.).
 - B. **Others Present:** Village Administrator Karl Frantz, Village Clerk Cokie Albrecht.

2. **Approval of Prior Meeting Minutes:** the Committee reviewed the draft minutes from the September 25, 2013, Finance Committee meeting. **Motion to approve the minutes by K.Wellensiek, second by F.Wade. Motion passed (5-0).**

3. **Review and possible recommendation on 2014 Village general and other fund budgets.** K. Frantz circulated a three-page memo updating a few key general budget numerics, summarizing the changes made to the proposed FY14 Village budget based on the Committee's direction from the prior meeting, and presenting initial information on all other budgets (capital/debt service, TID #3, TID #4, water, sewer, stormwater, pool, waterfront, marina):
 - A. **Village Levy:** based on the Committee's direction at the last meeting, the levy increased to \$2,468,290 (a 6.4% increase compared with the levy last year). The property tax increase on an average home in the Village (a home with an assessed value of \$588,000) under this scenario would be \$173,73.
 - B. **One-Time Revenue Application:** One-third of the remaining amount from the expected proceeds from the sale of Fire/EMS equipment (i.e., \$450K in sale proceeds, less the FY14 Fire/EMS transition costs, less the payoff of the State Trust Fund loan in FY14), or \$52K, was applied as FY14 general fund revenue, the remaining two-thirds assigned for use in future year budgets.
 - C. **Fund Balance:** \$60K in fund balance was applied.
 - D. **Revenue Changes:** based on new information, general fund revenues were increased by \$28K due to an increase in state transportation aid to the Village (formula driven, probably based on all of the new road infrastructure).
 - E. **Personnel Committee Recommendation of FY14 Staff Salary Adjustments:** based on discussions over the course of two meetings during the last ten days, the Personnel Committee has recommended to

the Village Board that Village staff receive 2% plus step plan increase in salary for a total increase of between 4 and 4.5%, and for those staff not on the step plan and for those who have already advanced to the highest step level in their grade, a straight 3% increase in salary.

- F. **Expense Changes:** of the \$105K in cuts to the original Sept. 9 staff budget discussed at the Committee's Sept. 25 meeting, \$36.6K were reinstated (\$20K in wage adjustments and various other expenses).
- G. **Budget Surplus:** all of the above changes produced an estimated \$58K budget surplus which was placed in a contingencies expense line (K.Frantz suggested those funds could be used for staffing changes, for something unknown at this time, or not used at all).
- H. **Committee Discussion:** the Committee discussed the difficulty in budgeting when there were some major uncertain variables at play in the FY14 budget, noting that some of those variables will continue to be in play in near term future Village budgets:
1. **Actual Revenue from Sale of Fire/EMS Equipment:** what will the actual revenue be from the sale of Village Fire/EMS equipment in FY14? We will not know that number until mid-year when all sales are final. While estimated at \$450K, a 10% deviation bandwidth is \$90K and a 20% deviation bandwidth is \$180K.
 2. **Village Fee to City of Madison for Fire/EMS Services:** the Village payment to the City of Madison for Fire/EMS services (\$432K in FY14) will increase in future years based on the formula due to the projected increase in Village population (i.e., the new Village residents at the "Lodge at Walnut Grove" apartments will be realized in the formula for the FY15 payment; the potential new Village residents in Oak Park Place Shorewood Hills may be realized in the formula for the FY16 or FY17 payment). After those increases, the Village fee to the City will level out for the long term.
 3. **Tax Increment Districts:** the Village currently has two active tax increment districts, one at the east end and one at the west end. TID #3 on the east end is moving along nicely with a healthy increment, but TID #4 on the west end will probably run its full term and not be paid off early (the financial particulars of the potential Oak Park Place Shorewood Hills development are a big driver in that TID and are unknown at this time). After both TIDs are ultimately closed, the Village will be in a much better position with a very significant increase in the total assessed value.

4. **Levy Limits and Inability to Carry Forward Unused Levy Capacity:** current state law limits the ability of the Village to increase its levy and significantly limits the ability of the Village to carry forward any unused levy capacity from one year to the next.

I. **Committee Direction:** the Committee asked staff to continue to refine the draft FY14 budget using the following changes and assumptions, such that the Committee can review and approve a final budget to recommend to the Village Board at its next meeting:

1. **Levy:** reduce the proposed \$2,468,290 levy by \$20K. This would result in a Village levy roughly 5.5% more than last year's levy amount. The Committee reaffirmed its opinion that this increase is largely driven by the increase in debt service in FY14 based on past borrowings to support major Village infrastructure improvements – new roads, new underground utilities.
2. **Revenues:** the Committee was happy to learn of the \$28K increase in state transportation aid and reaffirmed the application of \$52K in projected one-time sales revenue from the sale of Fire/EMS equipment, assigning the remainder for use in future years.
3. **Expenses:** reinstate the \$36.6K in expenses as staff had recommended. The Committee also asked that two additional FY14 expenses totaling \$17K be reinstated: \$13K for printing/mailing of monthly Village Bulletins and \$4K for the annual Village recognition dinner.
4. **Fund Balance:** apply \$38K in fund balance. The Committee discussed whether to budget for unknown contingencies or instead to plan to apply fund balance if and when more information becomes known as to such potential expenses, the latter being the majority opinion.
5. **Questions for staff:** the Committee asked staff:
 - a. **Future Village Budgets:** to present broadbrush FY15/FY16 Village budgets at the next meeting;
 - b. **Leased Storage Expense:** to explore whether the Village would still need to lease storage space in FY14 and what if any cost savings could be realized if that lease was terminated mid-year;
 - c. **Workers Compensation Expense:** to better define expected workers compensation expenses in FY14 given expected staff changes (i.e., will that expense be reduced?);

d. **Water Rate Case Expense:** estimate what a typical Village water rate case proceeding with the Public Service Commission costs.

4. **Proposed FY14 Capital/Debt Service, TID #3, TID #4, Water, Sewer, Stormwater, Pool, Waterfront, Marina Budgets:** the Committee briefly reviewed the initial information presented by K.Frantz, noting the FY13 water utility deficit and the probable need for a water rate increase in FY14. The Committee agreed to review these proposed budgets in greater detail at its next meeting.
5. **Future Meeting Dates:** the Committee agreed to meet next on Wed., Oct. 30 (5:30 p.m.), D.Kuenzi unable to attend, to conclude discussing an FY14 budget to recommend to the Village Board, as well as budgets for capital/debt service, TID #3, TID #4, and the enterprise funds (i.e., water, sewer, stormwater, pool, waterfront, marina).
6. **Adjourned:** at 6:56 p.m.

Respectfully submitted by Dave Benforado on October 13, 2013.