

Minutes of the Finance Committee
Village of Shorewood Hills

Wednesday, October 30, 2013

(scheduled for review at the next Finance Committee meeting)

1. **Called to Order at 5:33 p.m.:**
 - A. **Committee Members Present:** Chair/Village Trustee Dave Benforado, Village President Mark Sundquist, Dave Ahmann, Gard Strother, Fred Wade and Karl Wellensiek. Village Treasurer David Kuenzi was excused.
 - B. **Others Present:** Village Administrator Karl Frantz, Village Clerk Cokie Albrecht.
 - C. **Posting:** K.Frantz confirmed that the meeting notice had been properly posted.
2. **Approval of Prior Meeting Minutes:** the Committee reviewed the draft minutes from the October 9, 2013, Finance Committee meeting. **Motion to approve the minutes by F.Wade, second by M.Sundquist. Motion passed (6-0).**
3. **Final review and possible recommendation on 2014 Village general and other fund budgets.** K. Frantz circulated a two-page memo updating the Committee on the general fund budget, summarizing the changes made to the proposed FY14 Village budget based on the Committee's direction from the prior meeting, answering various questions raised by the Committee at the prior meeting, and summarizing all other budgets (capital, debt service, TID #3, TID #4, water, sewer, stormwater, pool, waterfront/marina). K.Frantz also distributed a two-page spreadsheet summarizing the levy calculations (taking into account the required TIF set offs):
 - A. **Village Levy:** based on the Committee's direction at the last meeting, the levy increased to \$2,448,290 (a 5.5% increase compared with the \$2,319,821 levy last year). The resulting property tax increase on an average home in the Village (a home with an assessed value of \$588,000) under this scenario would be \$148.50. Other than the Technical College portion of the property tax bill this year (a 4.45% increase from last year, a \$47.78 increase for the average Village home), the levy amounts from the other jurisdictions (i.e., State, County, School District) are not known at this time.
 - B. **Fund Balance:** \$38K in fund balance was applied.
 - C. **General Fund Revenue Changes:** based on new information, general fund revenues were increased by \$6.8K due to an auditor recommended increase in the Village water utility tax equivalent payment to the general fund (formula driven, from \$36.5K to \$43.3K).

D. **General Fund Expense Changes:**

1. **Employee Wages/Benefits:** Employee benefits were reduced to reflect a lower than anticipated dental insurance premium, and employee wages were increased to reflect a 3% wage adjustment that was added for those employees not in the grade and step system or who have maxed out of steps, with a net \$3.3K increase in general fund expenses.
2. **Village Bulletin/Village Recognition Dinner:** \$13.2K for printing/mailing the Village Bulletin and \$4K for the annual Village Recognition Dinner were added back in as general fund expenses.
3. **Insurance Premiums:** In answer to a question raised at the prior meeting, K.Frantz reported that after consulting with the Village insurance carrier, the Village will realize an undetermined amount in insurance premium savings in FY14 and future years based on:
 - a. Elimination of Village Fire/EMS will reduce workers compensation premium by roughly \$1.7K;
 - b. Village workers compensation “experience modification factor” is down to 0.79, which will mean a 20% credit on renewal rates; and
 - c. Village vehicle insurance premium will be reduced once we sell the Fire/EMS equipment.

E. **General Fund Budget Surplus:** all of the above changes produced an estimated \$13.5K budget surplus based on an expenditure budget of \$3,734,707.

F. **Other Funds:**

1. **Water Utility:**
 - a. **Tax Equivalent:** K.Frantz explained the additional \$6.8K water expense as being an auditor recommended increase in the water utility tax equivalent payment to the general fund (formula driven, from \$36.5K to \$43.3K).
 - b. **Projected Expenses and Revenues:** FY14 expenses of \$482K and estimated revenues of \$436K, leaving a projected deficit of \$46K.
 - c. **Rate Case:**
 - i. In answer to a question from the Committee at the prior meeting, K.Frantz reported that Baker Tilly estimated that it would charge the Village \$4K to process a water rate case through the PSC and to provide analysis/recommended rate structure for the sewer utility.
 - ii. Consensus of the Committee was to recommend the Village Board approve a

water utility rate case filing with the PSC in consultation with Baker Tilly.

2. **Sewer Utility:**

- a. **MMSD Increase:** Expect to receive the projected impact of the Madison Metro Sewer District 6.5% increase in rates shortly.
- b. **Interfund Transfer:** Sewer utility currently has a \$117K interfund transfer payable to the general fund.
- c. **Projected Expenses and Revenues:** not reflecting the above \$117K expense, FY14 revenues of \$314K and expenses of \$297K, leaving a projected surplus of \$17K.
- d. **Sewer Rate Adjustment:** consensus of the Committee was to recommend the Village Board approve a sewer utility rate adjustment in consultation with Baker Tilly.

3. **Stormwater Utility:**

- a. **Built Up Surplus:** since inception, the stormwater utility has built up a cash surplus of \$180K and for the last few years has shown \$20-22K annual deficits based on the stormwater utility's share of road and infrastructure improvements.
- b. **Projected Expenses and Revenues:** estimated FY14 revenues of \$154K and estimated expenses of \$175K, leaving a projected annual deficit of \$21K.

4. **Capital Budget:**

- a. **Past Five Years:** K.Frantz distributed a two-page memo summarizing the FY14 Capital Fund budget. A spreadsheet attachment itemized FY08 through FY13 road, utility and infrastructure improvements totaling \$7.8M.
- b. **Budget Update:** including the \$1.9M FY13 general obligation capital borrowing and upon completion of FY13 street and utility projects, this fund will have a balance of roughly \$1.3M.
- c. **FY14 Capital Expenses:** various projects and purchases totaling \$1.3M, the largest of which is \$1M for the reconstruction of Dartmouth and Wellesley. After the FY14 street and utility projects are completed and fund reallocations are made, the capital fund balance will be roughly \$105K.
- d. **Tentative Future Planned Borrowings:** K.Frantz reminded the Committee of two tentative future planned borrowings based on the earlier capital

borrowing plan: \$1.1M in FY16 and \$560K in FY18.

5. **Debt Service Budget:** budgeted FY14 debt service of \$1,441,730 (\$825,164 of which is a general fund expense).
 6. **Waterfront/Marina Budget:** FY14 revenues of \$64K and expenses of \$56K, with a projected surplus of \$7K.
 7. **Pool Budget:** FY14 revenues of \$545K and expenses of \$510K, with a projected surplus of \$35K.
 8. **Tax Increment Districts:**
 - a. **TID #3 (Fund 450/Marshall Court):** projected FY14 revenues of \$520K and projected expenses of \$923K.
 - b. **TID #4 (Fund 470/Walnut Grove & Pyare Square):** projected FY14 revenues of \$36K and projected expenses of \$18K.
- G. **Committee Direction:** the Committee approved the budgets as presented (with one minor change, subtracting the \$13.5K projected general fund surplus from the budgeted \$38K fund balance application, leaving a revised fund balance application of \$24.5K). The Committee recommended that the Village Board pursue rate cases for the water and sewer utilities, and recommended that the Village Board approve all budgets, via nine separate motions:
1. **Motion #1, Water/Sewer Rates:** motion by M.Sundquist, second by F.Wade, to recommend that the Village Board, in consultation with Baker Tilly, pursue a water utility rate case with the PSC and a sewer utility rate adjustment. **Motion passed(6-0).**
 2. **Motion #2, General Fund/Levy:** motion by K.Wellensiek, second by F.Wade, to recommend approval of the FY14 General Fund budget and levy as presented (a \$3,734,707 budget with a 5.5% increase in the Village levy when compared with the previous year's levy). **Motion passed(6-0).**
 3. **Motion #3, Debt Service Fund:** motion by K.Wellensiek, second by M.Sundquist, to recommend the FY14 Debt Service budget as presented for approval by the Village Board. **Motion passed(6-0).**
 4. **Motion #4. Water Utility:** motion by G.Strother, second by D.Ahmann, to recommend the FY14 Water Utility

budget as presented for approval by the Village Board.

Motion passed(6-0).

5. **Motion #5, Sewer Utility:** motion by M.Sundquist, second by F.Wade, to recommend the FY14 Sewer Utility budget as presented for approval by the Village Board. **Motion passed(6-0).**
 6. **Motion #6, Stormwater Utility:** motion by D.Ahmann, second by M. Sundquist, to recommend the FY14 Stormwater Utility budget as presented for approval by the Village Board. **Motion passed(6-0).**
 7. **Motion #7, Waterfront/Marina:** motion by K.Wellensiek, second by G.Strother, to recommend the FY14 Waterfront/Marina budgets as presented for approval by the Village Board. **Motion passed(6-0).**
 8. **Motion #8, Pool Budget:** motion by F.Wade, second by D.Ahmann, to approve the FY14 Pool budget as presented for approval by the Village Board. **Motion passed(6-0).**
 9. **Motion #9, TID #3/TID #4:** motion by K.Wellensiek, second by F.Wade, to recommend the FY14 TID #3 and TID #4 budgets as presented for approval by the Village Board. **Motion passed(6-0).**
4. **Future Meeting Dates:**
- A. The Committee was apprised about and invited to attend the Nov. 4, 2013, special meeting of the Village Board at which the 2014 Village general budget, levy, enterprise fund budgets (i.e., water, sewer, stormwater, waterfront/marina, pool), debt service budget, capital budget and TID #3/TID #4 budgets would be presented and discussed.
 - B. The Committee may meet next in December 2013 or January 2014.
5. **Adjourned:** at 6:37 p.m.

Respectfully submitted by Dave Benforado on November 2, 2013.