

Minutes of the Finance Committee
Village of Shorewood Hills

Wednesday, September 10, 2014

(scheduled for review at the next Finance Committee meeting)

1. **Called to Order at 5:30 p.m.:**
 - A. **Roll Call:** Committee Members Present: Chair/Village Trustee Dave Benforado, Village President Mark Sundquist, Village Treasurer David Kuenzi, Dave Ahmann, Gard Strother, Fred Wade, Karl Wellensiek.
 - B. **Others Present:** Village Administrator Karl Frantz, Village Clerk Cokie Albrecht, Village Trustee Mark Lederer.
2. **Meting Notice:** D.Benforado inquired and K.Frantz confirmed that the meeting had been properly posted in compliance with open meeting laws.
3. **Approval of Prior Meeting Minutes:** the Committee reviewed the draft minutes from the April 16, 2014, Finance Committee meeting. **Motion to approve the minutes by F.Wade, second by K.Wellensiek. Motion passed (7-0).**
4. **Trustee Lederer's Memo on Village Financial Planning:** M.Lederer summarized his two-page written memo titled "Financial Reporting to the VOSH Board".
 - A. K.Frantz thanked Lederer for his memo, and distributed and summarized his memo generally on the same topic titled "A Broad Look at Village Financial Matters, Accomplishments and Goals". Frantz noted how the Village has worked hard at improving its financial planning over the last eight years, and as a result has increased the Village bond rating from "A+" in 2006, to "AA-" in 2007 and to "AA+" in 2010. Frantz believes that the Finance Committee and the Board should focus its work on "an update to our capital plans for equipment, infrastructure and facilities and relate that to our debt capacity."
 - B. Following extensive discussion, the general consensus of the Committee was that any proposed changes to the current procedures for the first three of four items referenced in Lederer's memo (i.e., the monthly "Payment Approval Report" reviewed and approved by the Village Board, the "Revenues with Comparison to Budget" report for the Board, and the concept of a monthly financial dashboard report for the Board) were for the Village Board to discuss and decide. As to the fourth item, Lederer's suggestion of the development of a long-term Village financial model, Lederer might work on and present a framework to the Finance Committee at a later date.

5. **2015 Village Budgets:** K.Frantz distributed his four-page memo summarizing the draft 2015 Village general fund budget and estimated year-end 2014 budget results, along with a detailed 33-page draft 2015 Village budget.
- A. **Fund Balance (FB):** year-end 2013 unassigned FB of \$723K or 19% of 2014 budgeted expenditures. There is also \$197K of non-spendable FB, the vast majority of which is covering a fairly short term deficit in TID #4 that will come back to the general fund based on development that has already occurred (i.e., the Lodge at Walnut Grove).
- B. **Projected 2014 Results:** projected year-end 2014 revenues and expenses indicate a possible surplus of \$145.5K (this assumes no application of the \$24.5K in budgeted FB use). Assuming the \$158.5K general fund portion from the \$530K in proceeds from the sale of Fire/EMS equipment in 2014 will be applied 50/50 in the 2015 and 2016 budgets (i.e., reserving that amount to be used 50/50 in 2015 and 2016), the net impact is a budget deficit of \$13K. However, the 2014 budget assumed that \$24.5 in FB would be applied to balance the budget. Therefore, rather than the budgeted \$24.5K in FB to be used in 2014, only \$11.5K of FB is expected to be used in 2014.
- C. **Draft 2015 General Budget Expenses:** draft 2015 Village expenses total \$3,535,108, or \$199.5K less than budgeted in 2014.
1. Major factors of the decrease are:
 - a. Debt service is \$710.5K, down by \$114.7K compared with last year (2014 State Trust fund loan payoff led to a one time increase in debt service that was paid for using FD/EMS equipment sale proceeds).
 - b. Wages and benefits constitute roughly 40% of the budget and are \$30K less than in 2014 due to a decrease in state required retirement contributions, and the retirements of the Fire and Crew Chief.
 - c. Workers Comp premium is down \$6K due to a reduction in the Village “experience modification factor”.
 - d. Street maintenance is reduced by \$15K as we have no streets to sealcoat and will only do crack filling.
 2. Notable areas of increased costs:
 - a. \$15K for a possible discretionary increase in payment to Madison Metro for bus service.
 - b. \$45.2K increase (from \$431,413 to \$476,620) in contracted payment to the City of Madison for City Fire/EMS based on the contract formula and an assumed 3% increase in their operating budget.
 - c. Shifting on FTE from Fire/EMS into the admin/clerk budgets. Frantz noted that a reorganization plan could be considered that could net roughly \$30K.

- d. \$27K for a new Village Police Department squad car (replacing a 2008 squad with over 90K miles). This had been scheduled for the 2016 budget, but it needs to be replaced in 2015 instead.

- D. **Draft 2015 General Budget Revenues:** the budget assumes 2015 revenues of \$3,387,547 (or \$347,160 less than budgeted in 2014).
 - 1. The tax impact on an average home in the Village assessed at \$588K would be an increase in the Village share of the property tax bill compared with last year of \$23.18.
 - 2. The budget revenues assume no major construction projects and thus assumes normal construction permit fee revenues, even though one major construction project appears to be probable (700 University Bay Drive project in Doctors Park). Possible major construction projects could provide at least \$40K in additional permit fee revenue.

- E. **Draft 2015 Expenses less Revenues:** Frantz indicated that based on the above, an expense budget of \$3,535,612 and revenues of \$3,387,547, there is a \$147,561 deficit that needs to be addressed.

- F. **Levy Limit and Potential Fixes:** the draft 2015 Village budget assumes a Village tax levy of \$2,448,985 (which is the limit under the state's tax levy law).
 - 1. This levy amount represents an increase of \$39,660 over last year's Village levy due to the value of new construction in the Village that was much higher than usual.
 - 2. The Village could by $\frac{3}{4}$ Board of Trustee vote increase the levy by an additional \$36,724 (last year, the Village did not use \$69,900 of levy capacity and state law allows the Village to use a portion of that unused capacity from the prior year).
 - a. Utilization of that extra levy capacity would reduce the 2015 budget deficit from \$147,561 to \$110,901.
 - b. The total tax impact on an average home in the Village assessed at \$588K if we levied this additional amount would be an increase in the Village share of the property tax bill compared with last year of \$69.15.
 - 3. There is no additional FB applied to the 2015 budget over and above the planned \$79,204 of Fire/EMS equipment proceeds. We could apply additional FB.
 - 4. Misc other areas of expense reduction and revenue enhancement are possible as well.

- G. **Other Draft 2015 Village Budgets:** Frantz indicated that he would have draft copies of the other 2015 Village Budgets (i.e., water, sewer,

stormwater, marina, pool, capital) for the Committee to review at its next meeting.

6. **TID (Tax Increment District) District III and IV Report:** the Committee reviewed and discussed a 7-page report from Ben Zellers (Vierbicher) on the condition of Village TID #3 (Doctors Park area) and Village TID #4 (Pyare Square/Walnut Grove area).
 - A. **Combined TID Increment:** TID #3 and TID #4 have a total of \$27.9M of incremental value, which is 5.2% of the Village's overall \$538.7M equalized value. Zellers concluded "both TIDs are in solid financial shape, and are projected to end their lives with a surplus if they are not closed early."
 - B. **TID #3:** the Arbor Crossing project will be listed in the 2014 TID #3 value and the property taxes on that increment will show up in 2015 tax collections.
 - C. **TID #4:** the Lodge at Walnut Grove project was partially assessed for 2014, the full assessed value will be accounted for in 2015, property taxes from the partial assessment will be collected in 2015, property taxes on the full increment will be collected in 2016.
7. **Report on Transition to Park Bank Services:** K.Frantz reported to the Committee that the transition in banking service providers, from BMO Harris to Park Bank, had gone very well.
8. **Future Meeting Dates:** the Committee agreed to meet on:
 - A. Wed., September 24 (5:30 p.m.);
 - B. Wed., October 15 (5:30 p.m.);
 - C. Wed., October 29 (5:30 p.m.); and
 - D. Wed., November 12 (5:30 p.m.).
9. **Adjourned:** at 6:58 p.m.

Respectfully submitted by Dave Benforado on September 20, 2014.