

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

Wednesday, October 15, 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, Dave Ahmann, Gard Strother, Fred Wade, Karl Wellensiek. Village President Mark Sundquist and Village Treasurer David Kuenzi were excused.
 - 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 September 24, 2014, Finance Committee meeting. **Motion to approve the minutes by F.Wade, second by K.Wellensiek. Motion passed (5-0).**

4. **Review/Recommendations regarding 2015 Village Budgets:**
 - A. **Proposed 2015 General Fund and Fund Balance:** K.Frantz distributed and the Committee discussed his two-page memo dated October 10, 2014, summarizing revisions to the proposed 2015 Village General Fund Budget to date, and detailed budget expenditures and revenues worksheets showing the line by line changes to date. Frantz reported a major new budget development, an unexpected \$36K increase in state transportation aids.

Insurance Expenses: Frantz reported back to the Committee on its questions at the last meeting regarding whether any savings could be realized on insurance expenses in 2015 (e.g., by modifying deductible amounts). After consulting with the Village insurance agent, changing the deductible did not make sense, but during that discussion with the agent, Frantz did find a error in the Village workers compensation policy which when corrected saved the Village \$6K in premium.

Summary: Frantz summarized the proposed 2015 budget (a balanced budget totaling \$3,512,354):

 1. **2015 budget expenses are \$221K less than then the 2014 budget expenses; why?**
 - a. Big driver is \$115K reduction in debt service (since Village paid off State Trust Fund loan associated with Fire equipment).

- b. \$105K in contingencies budgeted in 2014 and not used, so not included in 2015 budget.
 - c. Personnel costs down \$39.5K.
 - d. Street repairs down \$15K.
 - e. \$13K in Village Bulletin printing/ mailing costs eliminated.
 - f. Workers compensation costs down \$6K.
2. **Areas of increase in 2015 budget compared with 2014 budget:**
- a. \$44K increase in 2015 formula payment to City of Madison for Fire/EMS services (based on positive increase in Village total equalized property value and increase in Village population, both compared with Madison's).
 - b. \$15K voluntary increase in payment to Madison Metro.
 - c. \$29K for new Village Police Department vehicle (Frantz will provide details on this proposed purchase at next Finance Committee meeting).
3. **Levy Impact:** Village levy would increase 3% under this proposed 2015 budget (\$76,419 increase, which translates to a \$69 increase on the property tax bill for an average Village home with an assessed value of \$588K).
4. **Fund Balance:** Village Fund Balance will remain about even in 2015. 2015 budget assumes a total application of \$119K in Fund Balance (\$79K from the Fire/EMS equipment sale proceeds for application in 2015 plus an additional \$40K), reserving the remaining \$79K from the Fire/EMS equipment sale proceeds for application in 2016.
5. **Municipal Court:** G.Strother suggested that over the course of the next year, the Committee consider the costs and benefits of maintaining a Village municipal court (i.e., should there be one or should all Village prosecutions take place in Dane County Circuit Court). K.Frantz indicated that he would report back to the Committee at a subsequent meeting with background on that question.
6. **Committee Recommendation: Motion by G.Strother, second by K.Wellensiek, that the proposed 2015 Village Budget presented as of October 10, 2014, in the amount of \$3,512,354, be recommended to the Village Board. Motion passed (5-0).**

[F.Wade excused himself from the meeting at 6:35 p.m.]

B. **2015 Enterprise/Stand Alone Funds (Debt Service, Water, Sewer, Stormwater, Waterfront, Pool, TID #3 and TID #4, Capital Fund):** referring to his September 24, 2014, memo and attachments circulated to the Committee previously, K.Frantz summarized and the Committee discussed the proposed 2015 enterprise/stand alone funds:

1. **Debt Service Fund:** K.Frantz shared a 7-page spreadsheet with the Committee, detailing existing debt service by issue and then aggregated. Total debt service in 2015 budget is \$1,330,457, of which \$710,449 is levied, the remainder being paid by other funds.
2. **Water Utility:**
 - a. **Projected 2014:** \$440K in revenue, \$510K in expense, \$70K deficit, major drivers in deficit being purchased water cost and higher pumping costs, the latter being investigated (\$96K interfund transfer payable to general fund at end of 2013);
 - b. **Proposed 2015:** \$530K in revenue (assumes a 25% conservative placeholder rate increase), \$510K in expenses, \$20K surplus; and
 - c. **Discussion:** last rate increase approved by PSC was in 2011, Board has previously approved a Water Utility rate study by Baker Tilly, Committee plans to meet with Baker Tilly auditor within the next few months regarding the rate study.
3. **Sewer Utility:**
 - a. **Projected 2014:** \$331K in revenue, \$283K in expenses, \$48K surplus (\$90K interfund transfer payable to general fund at end of 2013);
 - b. **Proposed 2015:** \$334K in revenue, \$295K in expenses, \$39K surplus; and
 - c. **Discussion:** Board has previously approved a Sewer Utility rate study by Baker Tilly, awaiting results.
4. **Stormwater Fund:**
 - a. **Projected 2014:** \$157K in revenue, \$178K in expense, \$21K deficit;
 - b. **Proposed 2015:** \$157K in revenue, \$176K in expenses, \$19K deficit; and
 - c. **Discussion:** Stormwater fund is in good financial shape, drawing down projected \$182K 2014 year end fund balance. Village may eventually need to revisit the stormwater charge and stormwater expenses, but for now and a few more years to come, we can continue to draw the surplus down each year.

5. **Waterfront Fund:**
 - a. **Projected 2014:** \$63K in revenue, \$55K in expense, \$8K surplus;
 - b. **Proposed 2015:** \$65K in revenue, \$94K in expense, \$29K deficit (drawing down projected \$61K 2014 year end fund balance); and
 - c. **Discussion:** Waterfront fund is in good financial shape; one-time \$40K project in 2015 to fix moorings and pier will be paid for using roughly two-thirds of its fund balance.

6. **Pool Fund:**
 - a. **Projected 2014:** \$576K in revenue, \$526K in expense, \$50K in surplus;
 - b. **Proposed 2015:** \$574K in revenue, \$540K in expense, \$34K surplus; and
 - c. **Discussion:** with 2014 year end projected fund balance of \$239K, Pool fund is in very good financial shape; three more years (2015, 2016 and 2017) of large \$105K/yr debt payments afterwhich debt payments drop to roughly \$5K/yr; strong fund balance can be used to fund major and minor projects, equipment repairs, etc.

7. **TID#3 (Marshall Court area) and TID #4 (Pyare Square area):** see Ben Zellers' (Vierbicher) seven-page analysis/forecast report (dated Sept. 3, 2014) to the Village analyzing these two TIDs; there he concluded that "both TIDs are in solid financial shape, and are projected to end their lives with a surplus if they are not closed early." Both TIDs have a total of \$27.9M of increment value, which is 5.2% of the Village's overall \$538.7M equalized value.

8. **Capital Fund:** K.Frantz provided a general status summary of remaining proceeds from past borrowings and probable capital needs going forward. Frantz forecasts that there will be some residual funds remaining for 2015, perhaps \$100-200K. Frantz will provide more detail on this subject at a subsequent Committee meeting. Staff and the Board need to create a new 5-year capital plan, and consider borrowing needs.

9. **Committee Recommendation: Motion** by K.Wellensiek, second by G.Strother, that the proposed 2015 Village enterprise/stand alone fund budgets presented [Debt budget dated 9/23/14, Water budget dated 9/24/14, Sewer budget dated 9/23/14, Stormwater budget dated 9/23/14, Waterfront budget dated 10/2/14, Pool budget dated 9/24/14, TID #3/TID #4 budgets dated 9/23/14,

Capital Fund budget] be recommended to the Village Board. Motion passed (4-0).

5. **Update on Banking Services:** K.Frantz, C.Albrecht and D.Benforado updated the Committee on the Village's transfer of banking services from BMO Harris to Park Bank. This transfer, approved earlier this year by the Village Board, has been completed and the new arrangement with Park Bank will provide better service for the Village at less cost. The Village has also transferred roughly two-thirds of its deposits from the State LGIP to Park Bank based on the slightly higher interest rate that Park Bank offers.

6. **Future Meeting Dates:** the Committee agreed to meet on:
 - A. Wed., October 29 (5:30 p.m.); and
 - B. Wed., November 12 (5:30 p.m.).

7. **Adjourned:** at 6:49 p.m.

Respectfully submitted by Dave Benforado on October 19, 2014.