

MINUTES OF THE FINANCE COMMITTEE
VILLAGE OF SHOREWOOD HILLS

Wednesday, September 28, 2016

(reviewed and approved at the October 19, 2016 meeting of the Finance Committee)

1. Call to Order:

The meeting was called to order at 5:31 pm.

2. Roll call:

Committee members present were Chair/Village Trustee Fred Wade, Village President Mark Sundquist, Village Treasurer Sean Cote, Dave Ahmann, Gard Strother, Karl Wellensiek and Carl Gulbrandsen. Village Administrator Karl Frantz and Village Clerk Cokie Albrecht were also present.

3. Meeting Notice:

Karl Frantz confirmed compliance with the open meetings law.

4. Approval of Minutes of July 11, 2016:

A motion to approve the draft minutes of the Committee's meeting on July 11, 2016 was made by Mark Sundquist and seconded by Sean Cote. The motion passed (7-0).

5. Consideration of 2017 General Fund Budget

Village Administrator Karl Frantz began the session by discussing a memorandum that was distributed to the Committee before the meeting. The Memorandum contained a proposal that would balance the 2017 General Fund budget at \$3,642,327, if the Committee and the Board of Trustees decide to accept the monetary and policy decisions set forth in the Memorandum that brought estimated revenues and expenses into balance (A copy of the Memorandum is attached to these minutes).

Among other things, Mr. Frantz estimated that the unassigned fund balance for 2016 would increase by \$318,000, in large part because of a \$280,000 sale of Village land to developer John Flad in connection with his construction of the Boulevard project for apartments and retail businesses. He also noted that the state's statutory levy limit will permit the Village to increase the Village levy by no more than \$14,889, which would equate to an increase of \$72.44 for an average home valued at \$588,000.

The Committee proceeded to consideration of some of the monetary and policy decisions set forth in the Memorandum. These decisions had been used to eliminate what was initially calculated to be a potential deficit for 2017 of \$335,637.

The following decisions were made by the Committee:

A. \$70,000 of Land Sale Proceeds Should Be Used in 2017 General Fund Budget

Karl Wellensiek moved, with a second by Sean Cote, that the proceeds of the \$280,000 land sale be classified as assigned fund balance, with the understanding that they would be used, beginning in 2017, and continuing in 2018, 2019, and 2020, to pay for General Fund expenses in the amount of \$70,000 per year. The motion passed 7-0.

B. \$14,889 Should Be Added to the Levy, the Maximum Permitted for 2017

Mark Sundquist moved that the levy should be increased by \$14,889, the maximum permitted for 2017. The motion passed 7-0.

C. \$88,416 of Fund Balance Should Be Applied to the 2017 General Fund Budget

The 2016 General Fund budget assumed that it would be necessary to use \$88,416 of unassigned fund balance to pay for general fund expenses during 2016, but higher than expected revenues made the use of that sum unnecessary. Sean Cote moved that the sum of \$88,416 be carried over from the 2016 budget and applied to the 2017 General Fund Budget. The motion was seconded by Gard Strother and passed 7-0.

D. \$94,460 in Expenses Should Be Paid by the Capital Fund Rather than the General Fund

The initial draft of the 2017 General Fund Budget included \$45,000 for a brush chipper, \$28,960 for a new squad vehicle, \$16,000 for equipment for the Police Department, and a computer expense of \$4,500, but Karl Frantz reported that the sewer and water utility will repay \$100,000 during 2017, which is part of a \$457,000 advance that the Capital Fund made to the utility. Under these circumstances, Karl Wellensiek moved that these expenses be removed from the General Fund Budget and paid by the Capital Fund with the proceeds of the \$100,000 repayment to that Fund.

The motion received a second by Sean Cote, and passed 7-0.

E. \$10,000 in Line Item Expenditures Should Be Cut to Reduce Expenditures

Karl Frantz advised the Committee that he had identified approximately \$25,000 of potential cuts in line item expenditures, including a total of \$5,000 in legal expenses. However, Sean Cote expressed the view that \$4,000 more was needed for legal expenses, and that an additional \$11,000 should be included in the budget for the contractual street lighting item. Assuming that Mr. Cote's changes would cost about \$15,000, Mark Sundquist moved, with a second by Dave Ahmann, that the remaining cuts identified by Mr. Frantz totaling \$22,110 in line item expenditures should be cut to reduce expenses. The motion passed 7-0.

F. Additional Repayments Might Be Sufficient to Balance the 2017 General Fund Budget

As noted above, the sewer and water utility will repay \$100,000 during 2017, which is part of a

\$457,000 advance that the Capital Fund made to the utility. The Committee considered the option of using the remainder of that repayment (in excess of the \$94,460 in expenses that would be moved to the Capital Fund under item D above), but no formal decision was made.

In addition, Karl Frantz noted that the General Fund will receive up to \$143,000 over time in repayment of an advance that was made to TIF District No. 4. Karl Frantz was asked to seek more information as to the amount and timing of any repayments that the TIF district might make over time.

6. Report on Special Board Meeting on Facilities

Karl Frantz and Mark Sundquist reported information about a special meeting of the Village Board, on September 22, 2016, which considered the facilities needs of the Village. Mark Sundquist emphasized the decision of the Board to give a new facility for the Department of Public Works, on the existing Shorewood Boulevard site, a priority. The Board also wants to move ahead with a new Community Center.

Fred Wade noted the Board asked the Finance Committee to consider whether the Village should revise its internal policy that annual debt service payments should amount to no more than 25% of General Fund expenditures, if that may be necessary to fund the new facilities (if the Village were to adopt a 2017 expenditure budget \$3,642,327, the debt service could be increased by \$138,229, from \$772,327 to \$910,556, without changing the policy). It was understood that this question would be considered after the Committee completed work on the 2017 budgets.

Karl Frantz noted that the Village currently has about \$1 million of remaining debt capacity under this internal policy, and that it is scheduled to retire principal of \$580,000 to \$770,000 annually from 2018 through 2024, that is being serviced with proceeds from the General Fund levy. His memorandum to the Board, dated September 22, 2016, was provided to the Committee and notes:

The Village could replace the amount of annual principal paid with new borrowings of the same amount each year and remain within policy. There is close to \$5MM in total [additional] capacity 2018-2024. Annual increases in budgeted revenue will further increase the borrowing capacity.

7. Next Meeting Dates

The Committee agreed that the next meeting will be on Wednesday, October 19, 2016, at 5:30 pm. If necessary, a second October meeting could be held on October 26, 2016.

8. Adjournment

The meeting was adjourned at 7:03 pm.