

Memorandum

To: Finance Committee
From: Karl Frantz, Village Administrator
Date: October 17, 2018
Re: 2019 Village Fund Budgets

The Village of Shorewood Hills accounts for its operations in eleven different funds. Those funds are the general, sewer, pool, waterfront, debt service, capital, tax increment district III, IV This memo provides a summary narrative and highlights related to each of those funds.

General Fund Budget

The general fund is the chief operating and by far largest fund in the Village. The general fund accounts for the costs of Administration/Clerk, Police, Fire/EMS, Public Works, Parks, Recreation and Forestry as well as elections, insurance, legal services, the municipal court and assessing. The large majority of its revenues come from property taxes.

The proposed 2019 general fund revenue and expense budget is balanced at \$3,899,719. This includes the use of \$42,038 in fund balance applied.

Highlights include:

- Applies \$42,038 of fund balance. Fund balance will remain stable and increase due to advance repayments and use of less fund balance than budgeted in 2018.
- Public fire protection cost of \$168,221 taken off tax roll onto utility bill Board action expected in November.
- Adds one police officer to work evening night shifts providing for additional night coverage and Police Sergeant will shift to a p.m. shift. Part time and overtime. Wages have been reduced to net the additional cost to roughly \$30,000
- Provides funding for a half time position to assist the Forester.
- Increases tree removal and pruning by \$15,000.
- Absorbs debt service increase of \$32,000.
- Fire/EMS contract with Madison increases by only \$5,000.
- \$10,000 is budgeted back into street maintenance that was removed last year.
- Provides COLA for Municipal Judge.
- Fuel and oil increase of \$7,000.
- 3% wage adjustment plus step and 3.5% off grid plus longevity.
- Health insurance costs increased a negligible amount.
- Highway aid revenue drops by \$15,656.
- Tax levy increase is \$69,719 (2.5%).

The levy increase is the maximum allowable and is comprised of the following: Debt Service increase \$31,873. Net new construction \$37,930. The net new construction increase of 2.3% is larger than typical in the Village.

Revenues, use of Fund Balance and Advances returning from other Funds.

The 2019 budget calls for an application of \$42,038 of unassigned fund balance. The Village began the year with an unassigned fund balance of \$699,615 and \$133,334 of assigned fund balance was planned to be used to balance the 2018 budget. Present projections indicate that only \$76,692 may be needed so an increase in unassigned fund balance is possible at the end of 2018. In addition, a planned debt issuance will reimburse the general fund an advance to TID IV in the amount of \$184,509.

Impact on Property Taxes

Preliminarily the Village tax levy will increase taxes on a \$590,500 home by \$43.84.

**Sewer, Pool, Waterfront, Debt Service, Capital, Tax Increment Districts III, IV, V
Stormwater, Water**

Sewer Utility (200)

The sewer utility shows revenues and expenses of \$372,259 in 2018. This includes a \$54,407 repayment of an advance that was made to the utility by the capital fund. A total of \$63,777 was advanced. The remaining \$9,370 is expected to be repaid in 2019. The 2019 budget shows revenues of \$363,294 and expenses of \$294,645.

Debt service was \$104,009 in 2018 and it drops to \$65,000 in 2019 and is in the range of \$66,000 through 2024. The debt drop off coupled with the advance repayments being completed should keep the utility in good shape for a number of years, and allow it to absorb rate increases and build some balance for capital projects.

Pool (210)

Fund balance at the end of 2017 was \$242,042. The pool has not yet submitted its 2019 budget. It should break even or do a bit better in 2018.

Waterfront Marina Fund (220)

The fund balance in the Waterfront Fund at the end of 2017 was \$44,817. Revenues in 2018 are projected at \$66,276 and expenses are anticipated to be \$55,595. The Committee has not yet submitted their 2019 budget but staff has developed a tentative budget. In 2019, revenues are projected at \$65,860 and expenses are projected at \$85,724 a deficit \$19,864. This is due to the need to replace pier boards at an estimated cost of \$20,000. The pier boards were lost due to the high waters and late summer storms. The agreement with Deeno Dock LLC has no rate increase for installation and takeout in 2019.

Debt Service Fund (300)

Debt service payments are \$958,205 excluding utility and TID debt payments that are accounted for in their respective funds. General fund tax levied debt, pool and marina fund transfers for debt payments as well as parking lot paving loan payments by the Blackhawk Country Club show as revenue in this fund. This fund has an accumulated fund balance of \$160,351. That

balance is spendable. One option would be to use it for capital equipment and projects over the next few years if needed, or it could also be used for flood recovery projects that are detailed in the stormwater fund narrative.

Capital Fund (400) and Borrowing Capacity

At the end of 2017, the Capital Fund had unavailable unspendable fund balance of \$510,549. Those funds have accumulated over time and are not debt proceeds. The money when available can be used in any manner the Village chooses. The capital fund has advanced all of that fund balance to the water utility in the amount of \$445,772 and \$63,777 to the sewer utility. The utilities are paying the advance back beginning in 2018. As the funds are returned, the Village can use them to pay for capital items to avoid debt issuance over the next several years. The sewer utility will have its entire advance repaid in 2019 and the water utility will make a small repayment of roughly \$33,000 in 2018 and up to \$100,000 in 2019.

The capital fund also had \$248,539 in unspent debt proceeds at the end of 2017. In 2018 \$167,391 was spent leaving \$42,728 in unspent proceeds. That coupled with advance returns should leave cash at the end of 2018 at \$96,228. Expenses in 2019 are \$143,500 and revenues of \$109,370 are budgeted that will leave a balance of \$62,098 at the end of 2019. It is anticipated the water utility will continue its advance repayments of roughly \$100,000 annually through 2022.

2019 expenses are estimated at \$143,500 and includes three vehicle purchases for \$117,000. Replacement of a DPW truck in poor condition that is up on the replacement schedule, a small pickup truck for the Forester to resolve ongoing issues of vehicle availability for him and eliminate him using his personal vehicle. Purchase of a second ATV for use by DPW, Police Dept. and Forestry.

TID III Fund (450)

Tax increment in 2018 is projected at \$766,625. In 2019, this is expected to increase to \$943,214. Debt service is approximately \$450,000 per year. The Village has issued two municipal revenue obligations, 700 University Bay Drive in the principal amount of \$2,100,000 and one for the Boulevard in the amount of \$495,000. Payments on those in 2019 will be \$320,395. Another redevelopment with value in the \$5,000,000 - \$6,000,000 range is in progress and will not involve any public financing. Completion of the bike path and Marshall Court streetscape and reconstruction constitute the major projects in 2019 with reconstruction of University Avenue looming in 2020-22. A debt issuance of up to \$1,980,000 is in progress to pay for these projects.

TIF IV Fund (470)

TIF IV has received an advance of \$184,509 from the general fund. A debt issue is in progress to repay this advance and to pay for the Village share of a partial signal on University Avenue in the amount of \$250,000.

Tax increment in 2018 is \$242,041 and will be approximately \$243,251 in 2019. The Village has a municipal revenue obligation of \$900,000 associated with the Lodge project with payments of \$91,284 per year and has other debt payments of \$113,289. Original projections were that this

TID would be generating more than \$335,000 annually in increment. Valuation changes have dampened this and the district is now quite tight.

TID V FUND (480)

This district is in its second year and was formed to facilitate the demolition of Pyare Square and the construction of the Lodge II project. There is a municipal revenue obligation in the amount of \$2,490,000 with payments of \$176,000 - \$183, 000 per year. This district is now anticipated to perform better than expected with increments of \$180,000 expected in its initial years and up to \$240,000 as it matures. Current projections show a surplus of \$ \$1.1 M at the end of its life. It may run small deficits in some years but accumulated surplus should take care of incremental deficits, after a \$9,387 general fund advance is repaid in 2018.

Stormwater Fund (500)

The stormwater fund had a fund balance of approximately \$97,915 at of the end of 2018. This cash accumulated in the early years of the utility when there were not many expenses. Over the last few years, the utility has been drawing heavily on its cash reserves. Debt service has increased as the Village has installed rain gardens and also replaced and extended pipe and inlets, although that expense is now decreasing. Maintenance and upkeep of rain gardens has also been paid for through this fund. We also pay for some the crew’s time sweeping streets and some leaf collection expense. This has been a way to fund expenses outside of the tax levy.

Revenues in 2019 are projected at \$152,936 and expenses are expected to be \$172,698. Debt service was in the \$100,000 range through 2018 and then drops of by about \$32,000 beginning 2019 through 2024. In 2019, a \$24, 762 deficit is projected.

Special Note on Flooding Costs associated with infrastructure damage and additional project

Marina Outfall repair		\$57,290 (\$21,000 grant received)
Marina Road		\$50,700
McKenna Park Outfall		\$35,800
Pool Ditch		\$40,000
Beloit Court		\$6,000
<u>Edgehill Infiltration</u>		<u>\$80,000 (\$40,000 grant applied for)</u>
	Total	\$269,790
<u>Grants</u>		<u>(\$61,000)</u>
	Net	\$208,790

The Village generates \$148,127 annually based on an ERU charge of \$9.18 per month. An increase to \$14.00 would generate \$225,000. The utility is running an annual deficit of about \$25,000. This type of an increase after accounting for the deficit would generate a surplus of up to \$51, 873 annually.

Consideration could also be given to the \$160,000 surplus in the debt service fund. There is also the possibility of FEMA and or state assistance in the form of grants and loans.

Water Fund (600)

The water utility shows \$519,044 in revenues and expenses in 2018. This includes a \$33,226 payment to the capital fund as an advance is repaid. This is lower than anticipated due to the fact that there was water loss due to leaks that were not repaired until April. In 2019 it is anticipated that the advance repayment will be in the range of \$100,000 if there are no large leaks that are not detected, which is not likely, since we are now able to monitor our usage on a real time daily basis and able to act quickly when we see spikes in use. We did experience another 50,000-gallon a day leak this fall that was detected and fixed as quickly as possible.

This budget does not account for an expected rate increase from the City that will be passed through with a corresponding increase on our end.