

# Memorandum

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**To:** Village President and Board of Trustees  
**From:** Karl Frantz, Village Administrator  
**Date:** November 1, 2019  
**Re:** 2020 Village Sewer, Pool, Waterfront, Debt Service, Capital, Tax Increment Districts IV, V, VI, Stormwater, Water Budgets

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Please also refer to the budget detail sheets for each fund.

## **Sewer Utility (200)**

The Sewer Utility shows a break-even of \$365,294 in 2019 including a \$30,865 advance repayment to the capital fund. Breakeven also is projected in 2020 at \$370,000 with a \$16,983 advance repayment in 2020. A 9% increase in sewer treatment expense is projected in 2020 as MMSD is proposing an overall rate increase of 9%. The specific increase to our treatment expenses based on domestic levels will be known at a later date.

Sewer rates were last adjusted in 2017.

## **Pool (210) no chnge fromlast meeting**

The Pool fund balance at the end of 2018 was \$325,606 up from \$242,042 in 2017.

The Pool has not yet submitted their 2019 budget but is in the process of doing so. The expenses associated with the flood at the pool have been recovered through our insurance. The fund will show a surplus in 2019 of at least \$50,000. The new energy efficient equipment purchased due to the flood has decreased operating costs significantly. The pool also spent additional money to purchase better, more efficient boilers than what the insurance would cover.

## **Waterfront (Marina) (220)**

The Waterfront fund balance at the end of 2018 was \$52,852 up from was \$44,817 in 2017. Revenues in 2019 are projected at \$99,785 including a flood insurance reimbursement of \$33,710. Expenses are anticipated to be \$104,586. The pier boards were replaced with a higher quality board than what the insurance covered. In 2020, revenues are projected at \$66,061 and expenses are projected at \$67,485 a deficit \$1,424. This is due to additional dock improvements at \$12,500

**Debt Service Fund (300)**

Debt Service payments in 2020 are projected at \$1,024,753 excluding utility and TID debt payments that are accounted for in their respective funds. General Fund tax levied debt, Pool Fund and Waterfront Fund debt payments are transferred into this fund for payments to be made. The exact debt expense in 2020 will be finalized after the pending refunding new money debt issuance is completed.

**Capital Fund (400) and Borrowing Capacity**

At the end of 2018, the Capital Fund had fund balance of \$786,029. Much of this is unspendable as \$510,249 has been advanced to the utilities. The utilities are paying that advance back over the course of the next few years. As the funds are returned, the Village can use them to fund capital projects and equipment. \$184,228 in capital expenses are projected in 2019 and \$500,000 in new borrowed funds are also shown. Capital fund expenses of \$498,227 are budgeted in 2020, although the Village Board has not yet approved any specific projects. A \$30,000 grant is also shown as revenue if the Village proceeds with resurfacing of Highbury, Hunter Hill and Harvard Drive. Please also see accompanying five-year capital plan.

**TID III Fund (450)**

Tax increment in 2019 is projected at \$819,795 and computer aid in the amount of \$125,461. \$1,204,000 in bond proceeds is shown as revenue. In 2020, tax increment revenue is expected to increase to \$859,909. Debt service has been approximately \$460,000 per year and with the new borrowing will gradually increase to over \$600,000 per year. The Village has issued two municipal revenue obligations to 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 2020 will be \$246,480. Another redevelopment (Lodgic) with value in the \$5,000,000-\$6,000,000 range is now near completion and does not involve any public financing. Completion of the bike path and Marshall Court streetscape and reconstruction constitute the major projects completed in 2019 with possible reconstruction of University Avenue in 2021-22.

**TID IV Fund (470)**

This district is producing increments of \$260,000 year. The district was formed to facilitate the demolition of Walnut Grove Shopping Center and the construction of the Lodge project and retail area. There is a municipal revenue obligation payable to Flad Development in the amount of \$2,490,000 with payments of \$176,000-\$183,000 per year in place. The City has not yet billed us \$200,000 in expense for partial signals near Hilldale/Target that we borrowed for.

The Village has also begun work with the Joint Review Board to allow TIDs III, IV and V to allow them all to help pay for University Avenue reconstruction, stormwater improvements as well as Garden Homes planning.

There is also an opportunity to recapture lost revenue that resulted from a State decision to reduce technical school property taxes. The reduced tax adversely impacted TIDs and we may be allowed to extend a district's life by three years.

**TID V FUND (480)**

This district was established to facilitate the demolition of Pyare Square building and construction of the Lodge II project. It is generating \$156,000 in annual tax increment. The increment is almost being entirely utilized to pay a municipal revenue obligation issued to Flad Development in the amount of \$2,490,000 for construction of affordable apartment units as well as demolition expense.

\$5,000 per year is paid to the general fund for administrative overhead.

**Stormwater Fund (500)**

The Stormwater Fund had a fund balance of approximately \$35,931 at of the end of 2018. 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 pipes/inlets. The debt service expense is now decreasing. Maintenance and upkeep of rain gardens has also been paid for through the utility as well as leaf pickup expense. The Village increased the stormwater fee in 2019 and that will increase annual fee revenues to \$211,300 annually from \$148,000 previously.

Total revenues in 2019 are projected at \$164,809 and expenses are \$174,989 resulting in a \$10,180 deficit. Debt service was in the \$100,000 range through 2018 and then drops off by about \$32,000 beginning in 2019 through 2024. 2020 revenues are projected at \$231,300 with expenses of \$221,459. This includes construction of a bio infiltration basin on Edgehill Parkway A 50% matching grant of \$20,000 for that project shows as revenue also.

**Water Fund (600)**

The Water Utility shows \$631,134 in revenues and expenses of \$567,209 in 2019 this includes a \$100,000 payment to the Capital Fund as an advance is repaid. In 2020 revenues of \$591,561 are budgeted and expenses of \$555,774. The rate increase implemented in 2019 as well as real time usage monitoring has allowed us to get the water utility into stable, good financial shape.

The rate adjustment will allow the utility to begin to generate small surpluses that can be used to help offset future borrowing for infrastructure improvements.

**Summary**

The Village is in very good financial condition. Recent adjustment to rates in the sewer, water and stormwater utilities have gotten them into a much better and stable financial position.

The general fund is always a challenge given the presence of such restrictive levy limits, coupled with our built out status but the willingness of the Village Board and Finance Committee to consider actions like removing Public Fire Protection from the levy and now consider short term debt for assets in the general fund are of great help to ensure we can maintain the level of service we provide and also take care of our largest asset in our staff in a sustainable fashion.

The tax increment districts are performing well, although conservative spending is now the order of the day for the next few years.

We will be able to meet our five year capital needs as long as we are careful about not adding near term major projects or pieces of equipment. We have begun to make a dent in upgrading our facilities with the recent Four Corners and pending Heiden Haus projects. Minor work at the Public Works building such as cleaning out the current contents, adding new flooring, paint, furniture, and electrical fixtures could make the office area more presentable for meetings. The new roof now in place at the Community Center will at least mean that new ceiling tiles can be installed as well as window treatments to make it more presentable until the point in time major decisions regarding buildings can be made mid decade when Village debt falls off precipitously. The tradeoffs then are going to be how much Village capital is devoted to streets, sewer, storm water and water improvements and how much is devoted to facilities.

The Village of Shorewood Hills is a special place to live and work and play. The collaborative and positive working relationships of the Village President, Village Board, our volunteer committees, the staff and residents is what makes that all possible. These are all relationships that need to be nurtured. The respect and civility with which in these relationships is critical to maintain and improving the environment in which we live.