

# Memorandum

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**To:** Finance Committee  
**From:** Karl Frantz, Village Administrator  
**Date:** October 15, 2019  
**Re:** 2020 All Funds Budget Update

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Updated by fund line item budgets are attached.

## **General Fund**

The 2019 projected surplus is now \$48,491 (up from \$22,876 at last meeting). The major reason for the larger projected surplus is Village interest on investments.

2020 expenses are now budgeted at \$4,068,433, up slightly from the last meeting due to \$10,000 being added to update the comprehensive plan. Revenues are also up and are now budgeted at \$4,084,792 creating a \$16,359 surplus. Two major factors have created the increase in revenue. The interest the Village receives on its investments has been increased to reflect our experience over the past year and FEMA has obligated funding for expenses the Village has previously incurred for flood debris cleanup, and a culvert that was repaired near the Lake Mendota bridge in the total amount of \$38,042. The proposed tax levy also includes a short-term borrowing of \$49,593.00

## **PFP**

In 2019, the Village budgeted the full year of Public Fire Protection being recovered through a monthly fee on the utility bill. However, the fee was not implemented until May of 2019. It is therefore possible that the surpluses shown in 2019 and 2020 will nearly be eliminated through the need to fund the amount of PFP that was not recovered through the fee. Our PFP expense is \$129,529 and we expect to recover \$65,975, leaving \$63,554 to make up. Our auditor indicated she might have some options on how we deal with that and I am in conversation with her.

## **Flood Expenses**

The Village may also choose to levy expenses that were incurred due to the recent flooding outside of levy limits. A spreadsheet detailing the projects that have been submitted to FEMA is attached. Two of those projects have been funded by FEMA, are completed, and the local share is \$5,434.70. That could be safely added to the levy. The total estimated local share for all of the projects is \$25,245 but that amount will change based on bids as well as final determination of FEMA assistance. The state statute says that disaster expense levied outside of the levy limits must be levied the year of or year after the disaster. We are asking the Department of Revenue to clarify this to see if we can delay levying for local expenses until we know exactly how much it will cost the Village. If we are not given this flexibility, we may want to levy at least the total of \$25,245. Another option would be to do another short-term debt issuance after we know what our share will be and levy that amount next year.

**Sewer Utility (200)**

The Sewer Utility shows a break-even of \$365,294 in 2019 including a \$51,915 advance repayment to the capital fund. 2020 shows a \$37,791 surplus and includes a \$2,136 advance repayment to the capital fund that concludes its obligation. 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 change from last 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) no change since last meeting**

The Waterfront fund balance at the end of 2018 was \$52,852 up from \$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) no change since last meeting**

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) no change since last meeting**

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) last sentence added**

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.

\$4,333 is included to assist with the comprehensive plan update.

**TID IV Fund (470) last sentence added**

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 initiated 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.

\$4,333 is included to assist with the comprehensive plan update.

**TID V FUND (480) last sentence added**

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.

\$4,333 is included to assist with the comprehensive plan update

**Stormwater Fund (500) no change since last meeting**

The Stormwater Fund had a fund balance of approximately \$37,441 at 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 from \$148,000.

Total revenues in 2019 are projected at \$164,809 and expenses are \$172,207 resulting in a \$7,398 deficit. Debt service was in the \$100,000 range through 2018 and then dropped off by about \$32,000 beginning 2019 through 2024. 2020 revenues are projected at \$231,300 with expenses of \$182,311.

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 \$603,156 in revenues and expenses of \$562,043 in 2019 this includes a \$100,000 payment to the Capital Fund as an advance repayment. In 2020 revenues of \$591,758 are budgeted and expenses of \$567,943. A \$100,000 advance repayment is also budgeted. Both the 2019 and 2020 budgets show surplus which if they materialize can also be used to pay back the advance.

The rate increase implemented in 2019 as well as real time usage monitoring has finally allowed us to get the water utility into good financial shape