

**Village of Shorewood Hills
Finance Committee
Approved Meeting Minutes
Wednesday, September 11, 2019**

1. Call to Order

Finance Committee Chairperson Mark Lederer called the meeting to order at 5:31 pm.

2. Roll Call Committee

Members present were Mr. Lederer, Carl Gulbrandsen, Karl Wellensiek, Dave Ahmann and Sean Cote. Gard Strother and John Imes arrived shortly after the meeting began. Also in attendance were Brad Viegut of Baird, Village Administrator Karl Frantz and Administrative Services Manager/Deputy Clerk David Sykes.

3. Note Compliance with open meeting laws

Mr. Frantz confirmed the meeting had been properly posted and noticed.

4. Review/approve July 10, 2019 Finance meeting minutes

Mr. Gulbrandsen moved and Mr. Cote second a motion to approve the July 10, 2019 minutes.

Motion approved 5-0.

5. Review refunding opportunity, consider additional new money borrowing, and recommend Village Board action

The Village's financial consultant, Brad Viegut of R.W. Baird, provided details about a possible refunding of the outstanding Build America Bonds (BABs) issued by the Village back in 2010. He monitor's the Village's debt and looks for opportunities to save the Village money. Interest rates have been dropping over the past two months and about two weeks ago they hit an all-time low. If the Village had a need for new money, now is an opportunity to add to a refunding of the BABs with an issuance of additional debt at a more favorable rate and take advantage of the economies of scale by bundling the two needs into a single, larger issuance. Mr. Viegut and Mr. Frantz talked about the Village's needs for additional funds for the Marshall Court project in TID 3 as well as potential future capital projects elsewhere in the Village. He prepared a possible borrowing of \$2.5M that would include \$300K for TID 3 projects, \$410K for capital projects and advanced refunding of BABs. The BABs are callable beginning in 2021. The new debt would have term of 2021-2029. The estimated interest rate is 1.74% that translates to a present value savings of about \$117K.

In a similar way as the 2017 refunding combined with new money borrowing, Mr. Viegut proposes the Village Board pass a resolution authorizing the borrowing if certain parameters are met. This would allow the individuals authorized in the resolution, presumably the Village President and Treasurer, to complete the sale without the need for an additional Board meeting. The Board would set a maximum offering amount, minimum present value savings amount and other parameters. The proposed financing plan would include equal payments over time in the tax levy and TID payments would be delayed until 2022 so the District could build some increment.

Mr. Viegut reviewed the Village's debt capacity compared to the State imposed limits and the Village's internal debt policy. The Village believes it has a capacity to borrow about \$1M over the next three years and not adversely impact its AAA credit rating. Mr. Frantz reviewed the rationale for the new money borrowing. Marshall Court reconstruction bids came in higher than expected. About \$300K is needed in TID 3 to cover these incremental costs. TID 3 has the capacity to pay the debt service on the new money. Outside the TIDs, there are several capital projects in the five-year plan that may need additional funding such as the school path, 4 Corners restroom/renovation, Edgehill Pkwy bio-retention, mill and overlay of Highbury Rd., Hunter Hill and Harvard Dr., Marina stormwater outfall repairs, speed humps on Edgehill Dr., Heiden Haus renovations, etc. These projects have yet to be approved/budgeted by the Board, Mr. Lederer said he feels the Finance Committee's role is not to endorse any particular project, but to provide guidance on refunding the 2010 BABs and the borrowing of any additional money, "pre-borrowing" for the unspecified, future capital needs that the Board identifies and approves at a subsequent date.

Mr. Viegut indicated this size of borrowing should not adversely affect the Village's AAA bond rating and refunding the 2010 BABs will improve the Village's net bond position.

Mr. Cote suggested acting on this proposal soon to take advantage of the low rates.

Mr. Viegut suggested some parameters that would provide enough flexibility to ensure the sale: Minimum net present value savings of no less than \$95K and an issuance amount not to exceed \$2.625M including \$800K in new money. The total issuance cost would be no greater than 2.25% and Baird's compensation would be no greater than 1% of the total cost.

After discussion on the minimum savings amount and timing, Mr. Cote moved and Mr. Strother seconded a motion to recommend the Board approve new debt issue not to exceed \$2.625M to refund the 2010 BABs and raise additional funds of \$300K for TID 3 projects and \$500K for levy supported projects, with a minimum net present value savings of at least \$75K; with the underwriter percentage of 1% or less and other costs of 1.25% or less for a total issuance cost of 2.25% or less; and giving Baird the authority to change individual principle payments by up to \$100,000 for each payment and remove principle payments, if needed.

Vote: Approved 7-0.

6. Review draft of Village sustainability plan

This item was deferred to a future meeting.

Mr. Gulbrandsen and Mr. Strother were excused from the meeting at about 6:40 pm.

7. Initial work on 2020 Village budgets and possible recommendations

Mr. Frantz reviewed the preliminary General Fund (GF) budget projections.

The unassigned fund balance at the end of 2018 was \$764,270. At the end of 2019 the projected surplus is currently estimated as \$36,304.

The preliminary 2020 GF budget is \$4,023,522 (a \$123,713 increase over 2019). Major components of that increase include:

2% wage + step increase\$26,811

4% health premium increase	\$16,862
Purchase of MGE solar shares	\$11,647
Copiers, PD computers, PD garage AC	\$33,573
Madison Fire Contract increase	\$5,000
Centrex/Phone expenses	\$9,000
<u>TOTAL</u>	<u>\$108,913</u>

Preliminary calculation of the allowable levy increase due to net new construction is \$5,688. The debt service increase for 2020 is \$11,548. Which translates to only a \$17,236 increase of the tax levy. The preliminary 2020 deficit projection is about \$143K. Mr. Frantz discussed an option not previously used by the Village to borrow (short-term) to acquire certain specific assets, levy this amount and pay off the borrowing with operating or capital funds early in 2020. The borrowing would be considered new debt that is not subject to the property tax levy limits.

8. Set next meeting date

The Committee decided to meet again during the week of September 23rd.

9. The meeting was adjourned at 7:06 pm.

Respectfully submitted,

David Sykes
 Administrative Services Manager/Deputy Clerk