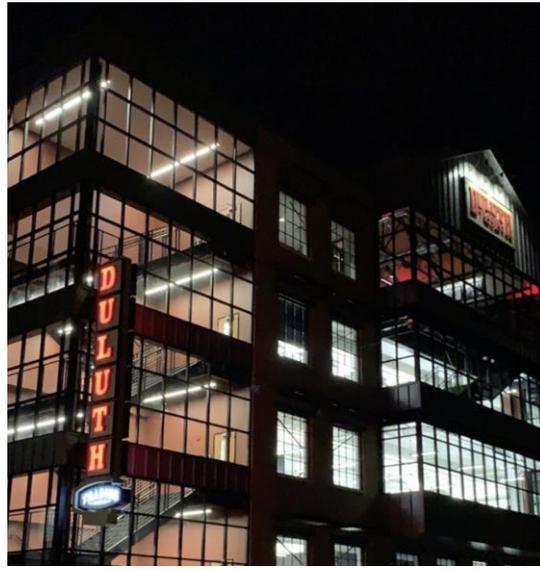


# Village of Mount Horeb

## 2019 Budget

Duluth Trading Corporate Headquarters



Historic Downtown Mount Horeb



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## Village Administrator Budget Message

This recommendation of the 2019 Village budget is the result of significant work on the part of Village staff and the Village Finance & Personnel Committee. Department heads met with the Village Administrator and Finance Director to discuss their budget recommendations so that staff can continue to provide the same high level of service to our residents, businesses, and visitors. The Finance & Personnel Committee met throughout the month of October to formulate a budget that protects the long-term interests of all Village taxpayers by keeping tax rates low, maintaining our high-quality service levels, maintaining healthy fund balances, accomplishing Village set goals, and managing our general obligation debt over the next five years.

By looking at the long-term financial affects of today's budgeting decisions, Board members are able to analyze whether their budget decisions are in the best interests of the community and whether those decisions provide for long-term financial stability. Members of the Finance & Personnel Committee and the Village Board accomplish this objective through a use of various budget-related methodologies that show revenues and expenditures five years into the future. By analyzing needs over the next five years and comparing them with realistic revenue expectations, we are able to determine if the decisions we make in 2019 are sustainable.

In 2018 Village staff conducted a succession planning process to learn about each Department's short and long-term staffing needs. Thankfully due to excellent new growth we were able to begin planning for the upcoming staffing changes in the 2019 Budget. The upcoming budget includes a new police officer and the addition of a School Resource officer, a Human Resources position for the Village Offices, the combination of the Public Works and Parks and Forestry Departments and two new positions for the combined department.

The 2018 total assessed value in the community is \$707,017,000; an increase of \$76,262,500 or 12.9% over 2017. Net new construction for 2018 was \$24,494,900 or 3.56% of our equalized value from 2017. The allowable levy increase for 2019 is 3.56%; excluding debt service requirements.

The 2018 budget again qualified us for the State's Expenditure Restraint Payment in 2019. The formula for Expenditure Restraint Payment is 60% of the net new construction plus CPI-U Midwest September. The net new construction portion of the formula is capped at 2%. The consumer price index number for September is 2.4%. Adding the 2% for 60% of net new construction to this number and we can calculate our expenditure restraint requirement to be at or below 4.4%. Our actual number is currently at 4.37%.

Health insurance costs are increasing for 2019 by 1.5% and dental insurance rates are remaining flat.

The Village is fortunate to have a good group of employees overall including many long-term dedicated employees. This budget includes a 2.8% wage increase for a majority of the employees.

This budget document explains the uses for numerous Village funds. It lists each expected fund balance in both January and December of 2019, and it provides the 2019 highlights for each fund. The overall levy increase for 2019 is 15.54%; with the largest increase being for debt service. The budgeted change in the mil rate for 2018 is projected to 3.08% and then stay relatively flat 2019 - 2022. The budget methodology for predicting future changes in the levy and assessed value uses an annual 2.00% increase due to new construction.

The Finance and Personnel Committee met on October 17<sup>th</sup> for their final review of the 2019 budget and are recommending the proposed budget for approval. The Village Board will hear a presentation on the 2018 budget on November 7, 2018 and set a public hearing for the 2019 budget and the 2019 - 2023 Capital Improvement Plan (CIP) for a special meeting on November 28, 2018 at 6:00 pm. Public comments on the budget are welcome at the public hearing and anyone with questions or comments are encouraged to contact the Village Administrator prior to the public hearing. You can reach the Village Administrator at 437-6884 x 109 or [nic.owen@mounthorebwi.info](mailto:nic.owen@mounthorebwi.info). Following the November public hearing, the Board will vote to approve the 2019 budget and the 2019 - 2023 Capital Improvement Plan.

## Elected Officials

VILLAGE PRESIDENT: Randy Littel

VILLAGE TRUSTEES: Beth Hill  
Brenda Monroe  
Brent Yauchler  
Cathy Scott  
Mike Goltz  
Ryan Czyzewski

MUNICIPAL JUDGE: Jody Morey

## Village Officials

Administrator: Nicholas Owen ----- 437-6884 ext 109  
Assistant Administrator: Kathy Hagen ----- 437-6884 ext 108  
Assessor: Accurate Appraisal----- 1-800-770-3927  
Attorney: Stafford Rosenbaum Law Office ----- 259-2618  
Building Inspector: General Engineering ----- 437-6884 ext 116  
Chief of Police: Jeff Velloff----- 437-5522  
Civil Defense Director: Eric Brinkmann----- 437-5571  
Electrical Inspector: General Engineering ----- 437-6884 ext 116  
Engineer: Rob Wright ----- 833-7373  
Court Clerk: Jean Culberson ----- 437-7748  
Clerk/Deputy Treasurer: Alyssa Gross ----- 437-6884 ext 104  
Electric & Water Superintendent: Dave Herfel----- 437-3300  
Finance Director: Amy Hall ----- 437-6884 ext 106  
Fire Chief: Eric Brinkmann ----- 437-5571

Librarian: Jessica Williams-----437-5021  
 Outreach Director: Lynn Forshaug-----437-6902  
 Parks & Urban Forestry Director: Jeff Gorman-----437-7190  
 Public Broadcasting Coordinator: Diane Stojanovich-----437-6884 ext 113  
 Public Works Director: Laurel Grindle -----437-3351  
 Recreation Director: Jill Dudley-----437-3400  
 Wastewater Superintendent: John Klein -----437-3101

### Chart of Budget Funds

The following funds are active with the Village's 2019 budget:

General Fund	Cable TV Fund
Terrace Tree Fund	Park Development Fund
Swimming Pool Fund	Tourism Promotion Fund
SW Dane (Outreach/Nutrition) Fund	Library Fund
Employee Retirement Insurance Fund	Revolving Loan Fund
General Debt Service Fund	Capital Projects Fund
TID Debt Service Fund	TID #3 Amendment Fund
TID #3 Fund	Electric Department Fund
TID #4 Fund	Water Department Fund
TID #5 Fund	Sewer Department Fund

## Village Funds Definitions, Highlights, and Balances

General Fund: The General Fund includes the operating budget for most Village departments. At the end of each fiscal year, balances in the fund become part of the General Fund Balance. Village policy requires any general fund balance at the end of the fiscal year that is budgeted at more than 25% of the next year's budgeted expenditures, to transfer to the capital projects fund. This money is then used to either offset existing loan payment needs or to help pay cash for future capital projects.

Budget highlights for this fund include:

- The levy allocated to the general fund is flat from 2018
- Utility payment-in-lieu-of-taxes (PILOT) payments are also relatively flat up only \$13,000 or 3%
- State transportation aid payments are down by 2.85% or \$12,732
- Total intergovernmental revenue is down by \$7,738
- Total licenses and permit revenue are projected to be flat for 2019
- Total revenues for the GF are up \$505,311 or 7.48%.
- The fire protection budget increased by \$35,300 or 8.1%.
- The Village provides funding to two outside organizations; the Mount Horeb Area Chamber of Commerce and the Mount Horeb Area Economic Development Corporation. The chamber contribution remains at \$5,000 per year, and the EDC is budgeted for \$45,000 in 2019 with the funding coming from the Electric Utility, a \$5,000 reduction from 2018. In 2018 the EDC successfully kicked off a fundraising campaign and matched the Electric Utility's funding. Their goal is to continually increase their funding and reduce the reliance on the Electric Utility funds.

- The police patrol budget includes a new officer position as well as funding for the Village's share of a School Resource Officer. We are proposing the Village will fund 30% of the position and the school would cover 70%, based on the amount of time the officer will spend working for the school vs. the Village.
- The budget includes the addition of a Human Resources position for the Village offices. With past and pending retirements staff feels this position will best suit the needs of the Village office.
- This budget also includes combining the Public Works and Parks and Forestry Departments and naming Jeff Gorman the new Department Head, upon the retirement of current Public Works Director Laurel Grindle. We also plan on hiring two new laborer positions during 2019.
- The budgeted increase in expenditures from the 2019 budget is 13.99%. We are budgeting to draw down fund reserves by just over \$81,000, which will leave the general fund unassigned and unrestricted reserve balance at \$1,162,806 or 24.26% of expenditures. This amount falls within the approved policy range of 20% - 25%. Budgeted reserves for 2019 - 2023 show reserves remaining above 20%.

Park Development Fund: The Village created the "Parkland" Development Fund when the Village implemented a fee to developers who create residential lots. The fee is used to offset the increased demand on park services from the increase in residents. There is an impact fee per new house constructed. The Village collects this fee prior to issuing a building permit.

In 2018, \$13,500 is budgeted for park equipment and improvements. With the continued residential growth, the estimated fund balance is projected to grow from \$130,409 at the start of 2019 to \$137,609 at the end of the year.

Terrace Tree Fund: The Village requires developers to contribute to the Terrace Tree Fund for the planting of one tree every 50 feet in new subdivisions. State law permits

developers to plant these trees themselves; however, given the quantity discount prices that the Village receives, it is likely developers will continue to contribute to this fund.

The budget includes \$21,919 for equipment and tree purchases. Future years have the fund budgeted to cover half of the cost for a tree inventory and \$40,000 toward a \$200,000 expenditure in 2020 for a bucket truck. This fund is budgeted to remain in the black through 2023.

The estimated fund balance at the start of 2019 is \$178,204 and the projected balance at the end of the year is \$156,785.

Swimming Pool: For 2019 we are proposing raising the levy to \$45,000, the same amount that was levied in 2017. The levy is projected to remain stable through 2023. The Parks Committee reviews the financials for the pool annually and determines if changes are needed in the fee structure. Projections show the fund balance going negative this year.

Cable TV Fund: The Cable TV Budget is funded entirely by cable franchise fees. The starting balance for this fund is \$68,099 and the expected ending balance is \$82,456. The balance is projected to continue to grow through 2023. The growing balance will allow for the funding of future anticipated capital equipment purchases.

SW Dane (Outreach/Nutrition) Fund: The Village collaborates with several neighboring communities to offer area seniors a place for nutritional assistance, meals, and other important services.

The Village will levy \$28,887 in 2019 to fund operations; an increase of \$1,000 over 2018. Revenues from other contributing municipalities and Dane county are also expected to increase, bringing the fund balance up to \$17,190. It is very important that a successful fundraising and donation campaign occur annually to help ensure this fund is

financially viable for several years. Projected gradual increases in contributions from the Village and other member municipalities keep the fund balance positive through 2023.

Library Fund: The Village Board authorizes a tax levy for the library every year and then the Library Board has authority to determine how the money is spent. The Library receives funding from several sources. Library revenues for 2019 are budgeted to increase by 4% over the 2018 budget. The budgeted library fund balance looks to remain steady to increasing through 2023. With the Village paying for all capital improvement costs, the library does not need a large fund balance; however, leaving some amount of money in the fund is appropriate in case of an unanticipated operating expense. For 2019 the Library is holding \$11,239 of revenues to go towards employee benefits throughout the year.

The budgeted starting fund balance is \$154,727 and the estimated ending balance is \$165,966, pending the potential expenditure of the reserve mentioned above.

Employee Retirement Insurance Fund: The Village set up this fund several years ago to cover costs of benefits for qualified employees (those hired before August 2011). The benefit allows a portion of accumulated sick time to convert to cash upon retirement for use specifically to cover health premium costs.

This fund is budgeted to remain 100% funded after having levied \$20,000 into the fund to cover Village employee sick leave actuarial costs (including library and Outreach departments). The next few years we will need to increase the levy for this fund to remain fully funded.

The budgeted starting fund balance is \$320,527 and the estimated ending balance is \$304,708.

Tourism Promotion Fund: This fund was established in 2017 for the revenue and expenditures from the room tax. Following the first full year of collection in 2017 we have reduced the overall expected room tax collection to \$82,000. The Chamber of Commerce is the Village's designated room tax entity and receives 88% of the room tax funds which are used to promote the Village and generate more overnight stays. The Village keeps the remaining amount to cover administrative costs.

Revolving Loan Fund: The Village established this fund in 2010 to help promote economic development in the Village. The fund provided loans to two local businesses and the principal and interest repayments on those loans go into the fund's balance for future use. Both outstanding loans were repaid as of the spring of 2017 leaving a fund balance of \$277,105 available to loan out for projects at the beginning of 2019. We do have one current application that will be going through the consideration process.

General Debt Service Fund: This fund accounts for the debt payments due on Village loans. Because this fund is not associated with the state-imposed levy limit, the Village can increase the 2019 levy by 3.56% plus the amount needed to fund loan repayments. The debt service levy will increase by \$700,000 in 2019 for the voter approved debt for the Public Safety Building. The levy for debt should level off through 2023 with no large debt projects anticipated.

TID Debt Service Fund: This fund accounts for debt issued for TID 3 and TID 4. Tax increment revenues pay for the majority of the payments due from the TID-related loans. A property tax levy makes up the difference between the loan payment and the available increment created within both of the TIDs.

The Village is required to maintain a certain fund balance each year to account for costs associated with prior payments for the TID #3 amendment fund. The balance in this fund is restricted until TID #3 is fully paid off. If TID #3 is in the black at the end of its life, the additional money in the TID #3 fund, up to the balance in this fund plus certain

monies already reserved in the General Fund, will become unrestricted. The Village fully complies with this requirement.

Capital Projects Fund: The Village annually funds various capital projects – projects that have a value of \$5,000 or more and that have a useful life of more than one year. This fund tracks all revenues and expenditures for those projects.

The Finance and Personnel Committee has recommended the following changes from the Departmental Capital requests:

- Delaying
  - Replacement of Recreation Minivan, \$20,000; This is the second year F&P has recommended holding off on this purchase.

Non-utility capital projects for 2019 include:

- Village Hall 3<sup>rd</sup> Floor Renovation: Currently listed as \$105,000, waiting for estimates
- Library HVAC Replacement: if needed \$115,000
- Viking Park Tennis Court Lights: \$30,000. Half of this cost would be covered by the School District
- Emerald Ash Borer Treatment: \$6,000
- 2007 Toro Utility Vehicle Replacement: \$11,000
- Aquatic Center Improvements: \$93,000
- Police Computers: \$13,000
- Street Reconstruction Projects: \$540,241 funded by debt
- Crackfill and Seal Coat Streets: \$200,000, a \$100,000 increase for 2019
- Senior Center Exterior Lighting: \$5,000
- Municipal Building Roof Replacement: \$35,000
- Recreation Department Renovation: \$150,000

Total non-utility capital projects in 2019 are \$1,293,241. Budgeted revenues include \$2,000 for the sale of village equipment, \$2,000 in transfers from other funds, \$15,000 in contributions from other organizations and a levy of \$250,000. The street

reconstruction and building renovations would be covered by debt. The 2019 levy is \$1,000 higher than 2018.

Utilities pay for their capital projects directly from their respective depreciation accounts.

TID 3 Fund: This fund manages revenues and expenses associated with Tax Increment District (TID) #3. The revenue typically comes from taxes paid within the specific TID jurisdiction, with additional revenues coming from a levy to cover a portion of the shortfall needed between the known debt payment and the revenues coming into the fund from increment created from the base value when the district was created. In addition to the levy, two local developers pay the remaining costs associated with the shortfall. The Village is responsible for 33.86% of the shortfall between the increment collected and any given year's annual debt payment on the loan(s) for the cost of projects already completed. Developers pay 66.14% of the shortfall.

The 2018 increment value in TID #3 is \$30,288,900. This is up \$3,306,800 or 12% from 2017.

Beginning in 2020 the debt service payments will increase \$500,000 to \$863,000. Without significant additional development the Village and two developers will be required to contribute additional dollars to the debt service, per our development agreement.

TID 3 Amendment Fund: In 2006, the Village approved an amendment to TID 3 and incurred additional expenses. It is unknown if the TID will be able to fully support repayment of these additional expenses (which will only happen after the original TID 3 fund fully covers all of its debt obligations throughout the life of the TID). If this occurs, then the District can remain open in order to repay the costs associated with this fund. Because of the nature of this fund, it will carry a negative balance.

The estimated fund balance at the end of 2019 is projected to be -\$631,793.

TID 4 Fund: This fund manages the revenues and expenses associated with Tax Increment District #4. TID 4 is in good financial shape with an original estimated closing date for the district in 2025. The Village has approximately \$200,000 remaining in the TID project plan for a future project as incentive to create jobs and increased assessed value in the district. As you know we have had interest from several developers in doing projects in this TID, with one current proposal before the Plan Commission.

The 2018 increment value in TID #4 is \$4,035,400, up \$209,100 or 5.5% from 2017. The expected ending balance is \$258,252.

TID 5 Fund: TID 5 was created in August of 2016. TID 5 has already seen the development of the Hoff Apartments, the total rehab of 108 S Second Street and 119 S Second Street and the completion of 3 façade and building restorations through our TID funded program. Duluth Trading's Corporate Headquarters opened in October and the full value of the building will be seen in the 2020 budget. In 2018 increment value in TID #5 increased from \$919,500 to \$11,103,400, an increase of 1,108% or \$10,183,900.

Electric Utility: This fund is used for the operation of the Village's electric utility. The utility purchases power from WPPI Energy and distributes it to customers within and outside of the Village's corporate limits. Expenses include costs for maintaining two substations and 127 miles of primary distribution lines.

The estimated starting cash balance in the electric fund for 2019 is \$2,493,626 and the estimated ending balance is \$2,438,183. The electric utility's capital project in 2018 is:

- Replace 2005 Chevy 350, \$45,000;

The electric utility will pay cash for its 2019 capital project.

Water Utility: This fund is for the operation of the Village's water utility. The water utility operates two water towers with 700,000 gallons of elevated water storage capacity, 600,000 gallons of ground level storage capacity, has over 231,000 linear feet of water mains, and operates four wells.

The estimated starting cash balance in the water fund for 2019 is \$1,180,662 and the estimated ending balance is \$1,267,450. The water utility's capital projects in 2019 are:

- Meter replacements, \$42,750;
- Tower #3 and #6 cleaning, \$12,000;
- System leak detection, \$4,200;

The water utility will pay cash for all of its 2019 capital projects.

Sewer Utility: This fund is used for the operation of the Village's sewer utility. The utility operates the wastewater treatment plant, 236,782 feet of sewer main, and eleven lift stations.

Construction of the WWTP expansion is well underway and going well and we are on track for a late 2019 completion.

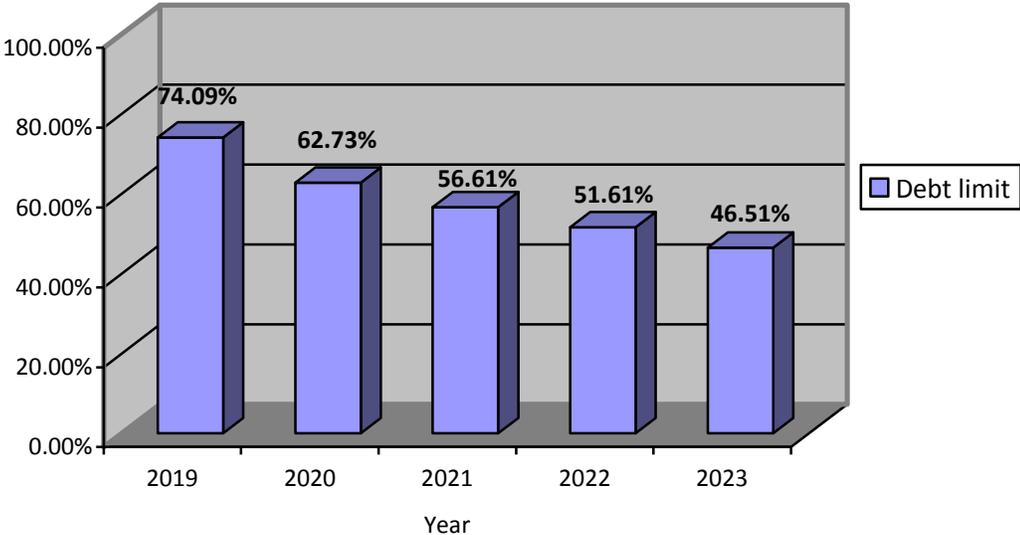
The estimated starting cash balance in the sewer fund for 2019 is \$1,502,480 and the estimated ending balance is \$1,533,354. The sewer utility's capital project in 2019 is:

- Replacement of lawn tractor: \$8,900.

The sewer utility will pay cash for its 2019 capital project.

# Charts & Graphs

### Village Debt Limit by Year



## Debt

### Debt Types:

- General Obligation Debt – The defining feature of general obligation debt is the source that secures its repayment - an ad valorem tax levied on all taxable property within the limits of the municipality at the time the general obligation is issued. Chapter 67 of the Wisconsin statutes governs the issuance of various obligations generally known as general obligation bonds or notes.
- Revenue Debt – Revenue bonds and notes are payable from the revenues derived from the operation of the water, electric, or sewer utilities. These bonds are not secured by the full faith and credit of the taxing ability of the municipality and as such, they are generally considered a slightly higher risk to investors.
- The Village, like all municipalities in the State of Wisconsin, is required to borrow no more than 5% of its equalized assessed value within the community. This limit

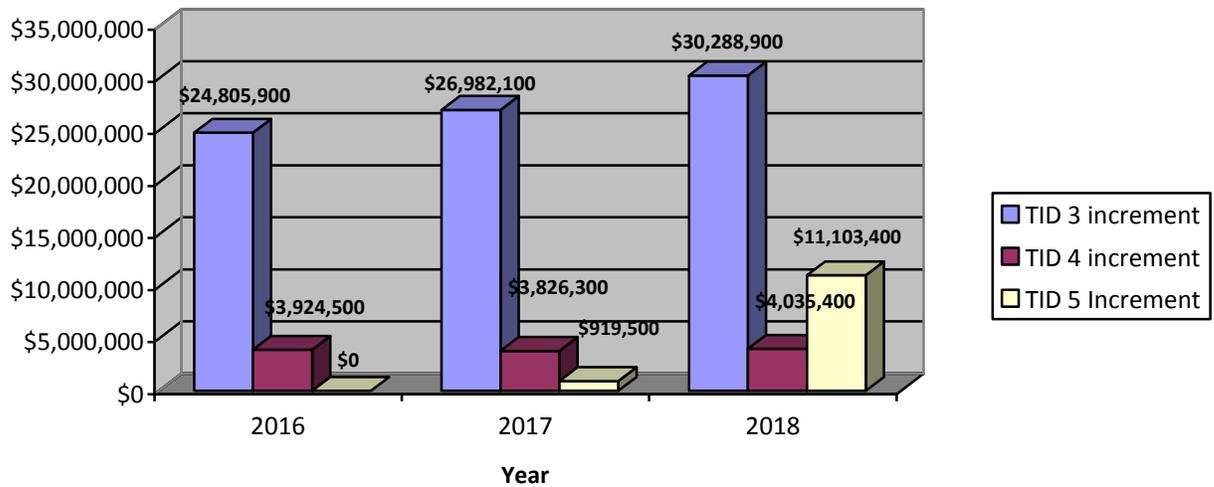
applies only to general obligation debt. The estimated 2018 equalized value is \$734,901,000. This means that the Village can legally borrow \$37,020,638. The Village will be at 74.09% of its debt limit in 2019 and 46.51% of its debt limit in 2023.

Debt Highlights:

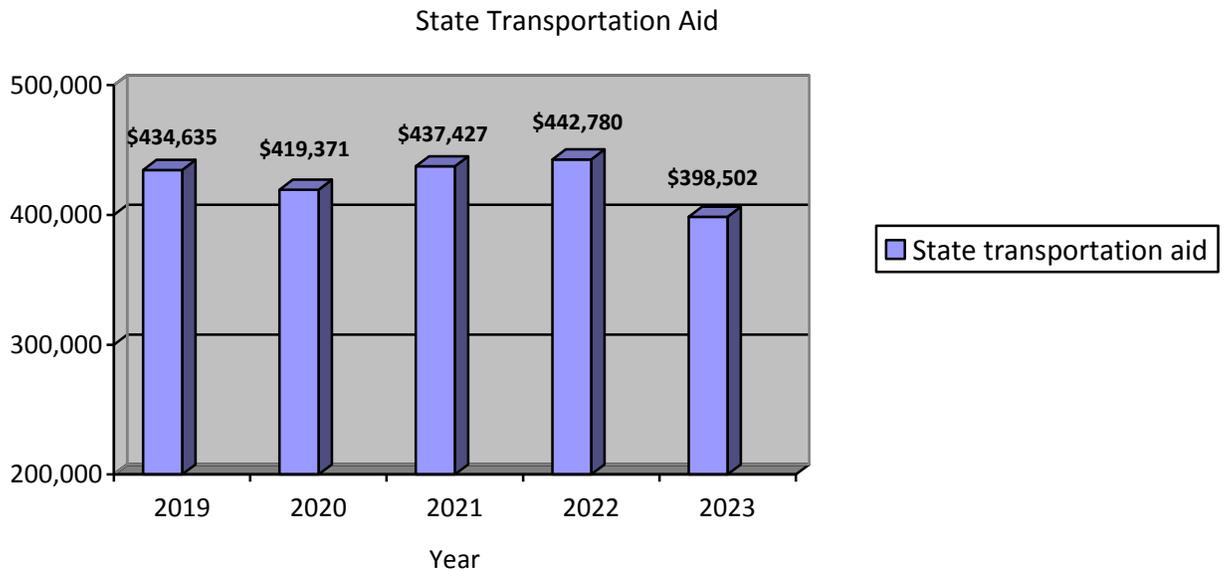
- Total sewer-related debt payments in 2019 are \$1,107,166. This is an increase from 2018 for the payments on the Clean Water Fund Loan for the WWTP project. We project payments to remain level through 2023
- Total water-related debt payments in 2019 are \$180,450.
- Total electric-related debt payments in 2019 are \$246,569. All electric utility debt will be repaid in 2021. Around this time, we anticipate needed to issue debt for a new electric substation.
- Total general Village-related debt payments in 2019 are \$2,400,046.
- Of the \$2,400,046 amount, \$1,644,870 is from the debt service fund and \$755,176 is from the TID debt service fund.
- Total general obligation debt service payments in 2019 are \$2,506,046. Total revenue debt service payments in 2019 are \$1,428,185.
- Total revenue debt for 2017 is \$18,224,965. This includes the borrowing for the new WWTF. Total General Obligation debt will be \$16,531,023.

Debt Forecast: The five-year financial forecast shows general obligation debt peaking with the large TID loan for the Duluth incentive and TID 5 infrastructure and the Public Safety Building. Revenue debt will increase as a result of the new wastewater treatment facility and peak in 2019. The Electric Utility will repay all their outstanding debt in 2021, but will likely acquire new debt around that time for a new electric substation.

TID Increment Values



- The increment value in the three tax increment districts (TIDs) has a direct effect on the amount of property tax levy required from taxpayers to cover any shortfall in the district for required loan payments. TID #4 has a good cash flow for its remaining life and some additional funding to help facilitate the right project that could bring additional value to the district. TID #3 has shown improvement over the last two years but could benefit greatly in the long-term from additional development. TID #5 is off to a good start with some big projects that we will not see the full value of until 2020.



- The State of Wisconsin provides financial aid for transportation-related projects based in part on a 6-year rolling average of actual road projects in the Village. The Village is budgeting accordingly each year based on anticipated transportation aid revenues. Beginning in 2019 the Village will again be doing annuals street projects which increase the transportation aid and provide a more stable source of funding.

## Five-Year Capital Improvement Plan

The Village completes a 5-year Capital Improvement Plan (CIP) to provide budget decision makers with a solid tool for planning for the future of the Village. Department heads provide the Village Administrator with detailed capital needs for their department. The Village projects capital needs for five years into the future. The 5-year CIP is a separate document and the Village Board will review it for approval apart from the operating budget.

The 5-year capital budget includes the following budgeted expenses for combined "Village" and "Utility" projects:

- \$1,406,091 in projects for 2019;
- \$1,854,968 in projects for 2020;
- \$1,722,226 in projects for 2021;
- \$3,973,891 in projects for 2022;
- \$1,839,300 in projects for 2023.

The 2020, 2021, 2022 and 2023 budgets include \$1,244,268, \$800,000, \$800,000 and \$1,333,300 respectively for street reconstruction projects.

## Levy

The Village levies from ten (10) different funds and eight (8) of these funds are inter-related due to their connection to the state-imposed levy limit. The following funds are at least partially funded by a levy:

- General Fund
- Library
- Outreach/Nutrition (Senior Center)
- Capital Projects
- Employee Retirement Insurance Fund
- Swimming Pool
- Tax Increment Districts (TID)
- Debt Service
- TID Debt Service

The total combined levy from levy-limit funds cannot be more than the state-imposed limit, which for 2019 is 3.56% more than the levy in 2018. The levy for 2019 complies with this requirement. The two debt service levies are not subject to the levy limit. For 2019, the Village's levy toward the levy limit is \$3,430,886 (excluding debt levy). The total general levy is \$5,159,153 (including debt levy). The total levy amount will be added to the TID increment to determine the total final levy. Not including the TID increment calculations the general levy is set to increase by 15.54%; however, with additional assessed value in the community, the net levy to the taxpayer is set to increase by 3.08%. This represents an annual increase of \$54 on a \$250,000 assessed property, \$20 less than the increase in 2018.