

Village of Mount Horeb



2023 Operating Budget and 2023-2027 Capital Improvement Plan

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Village Administrator Budget Message

Every year the preparation of the budget brings on new challenges and opportunities. For 2023, we are seeing inflation like we have not seen in a long time, dramatic price fluctuations and continued variability in the supply chain for equipment and supplies, coupled with the continued levy limits imposed by the state. Thankfully we are very fortunate to have a dedicated workforce that turns these challenges into opportunities to find ways to continue to provide excellent public services while operating with limited ability to increase revenues and expenditures.

The budget development process began in June with Department Heads meeting with their respective Committees to review the Department's funding priorities for the upcoming year. Department Heads then met with the Village Administrator and Finance Director to discuss their budget recommendations so staff can continue to provide the same high level of service to our residents, businesses, and visitors. Each Department Heads met with the Finance & Personnel Committee to review their initial budget requests and capital improvement plans.

The Finance & Personnel Committee met throughout the month of October to formulate a budget that protects the long-term interests of all Village taxpayers to keep tax rates low, maintain our high-quality service levels, maintain healthy fund balances, accomplish Village set goals, and manage our general obligation debt over the next five years.

By looking at the long-term financial effects of today's budgeting decisions, Board Members are able to analyze whether their budget decisions align with the long-term vision and goals of the Village. Members of the Finance & Personnel Committee and the Village Board accomplish this objective through the 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 2023 are sustainable.

The 2022 total assessed value for the Village is \$873,404,820; an increase of \$88,953,771 (11.34%) over 2021. The allowable levy increase for the 2023 Budget is tied to net new construction; for 2022 which is 2.43%, excluding debt levy. With the closing of TID 4 we received an additional increase of around \$19,000 for the levy limit.

The State's Expenditure Restraint Program (ERP) rewards municipalities under a specified rate of increase. The Village's 2022 budget qualified us to receive the ERP payment in 2023. The formula for Expenditure Restraint Payment is 60% of the net new construction plus Consumer Price Index-U (CPI) Midwest August. The net new construction portion of the formula is capped at 2%. The final CPI numbers for the 2023 budget to be eligible for the 2024 payment, is 9.2%. With the levy limit at 2.43% we will not be able to fully take advantage of the ERP increase. This budget gets us as close as possible.

For Health insurance, we participate in the State of Wisconsin local government program in which employers pay a percentage of the lowest cost plan in our area. For the second straight year GHC was the lowest cost option for our area; the Village portion of health insurance premiums increased 3.7%.

The Village is fortunate to have a good group of employees overall including many long-term dedicated employees. With record inflation our budget tried to balance cost of living increases with all employees and merit pay increases for high performing employees. The baseline increase for employees is 3% with merit pay allowing for another 1-2% increase.

This document explains the uses for numerous Village funds and provides the 2023 highlights for each fund. The overall levy increase for 2023 is 1.75%. The budgeted change in the mil rate for 2023 for the Village is projected to decrease by 11.32% with expectations to stay relatively flat 2024 - 2027. 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 19th to provide final instructions to staff for the 2022 Budget and Capital Improvement Plan (CIP) and provided a final recommendation on approval at the November 2nd meeting. The Village Board received a presentation on the 2023 budget at the November 2nd meeting and set a public hearing for the 2023 Budget and the 2023 – 2027 CIP for a special meeting on November 16, 2022 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 437-9409 or nic.owen@mounthorebwi.info. Following the November public hearing, the Board will vote to approve the 2023 Budget and the 2023 - 2027 CIP.

Elected Officials

VILLAGE PRESIDENT: Randy Littel

VILLAGE TRUSTEES: Brett Halverson
Cathy Scott
Jason Fendrick
Nate Gauger
Ryan Czyzewski
Tim White

MUNICIPAL JUDGE: Jody Morey

Village Officials

Administrator: Nicholas Owen ----- 608-437-9409
Assessor: Accurate Appraisal----- 1-800-770-3927
Attorney: Stafford Rosenbaum Law Office ----- 608-259-2618
Building Inspector: General Engineering----- 608-437-7748
Chief of Police: Doug Vierck----- 608-437-1252
Clerk: Alyssa Gaffney ----- 608-437-9404
Court Clerk: Jean Culberson ----- 608-437-7748
Economic Development Director: Kristen Fish-Peterson -----715-581-1452
Electric Superintendent: Jordan Schmitz ----- 608-437-3300
Engineer: Rob Wright ----- 608-833-7373
Finance Director: Joan Stuessy ----- 608-437-9406
Governance Coordinator/Deputy Treasurer: Denise Schwenn-----608-437-9408
Fire Chief: Jenny Minter ----- 608-437-5571
Library Director: Jessica Gretzinger----- 608-437-9378
Outreach Director: Lynn Forshaug----- 608-437-9441
Public Broadcasting Coordinator: Diane Stojanovich-----608-437-6884 ext 2113
Public Services Director: Jeff Gorman----- 608-437-3351
Recreation Director: Jill Dudley----- 608-437-9451
Water Superintendent: Josh Hyndman-----608-437-9431
Wastewater Superintendent: John Klein ----- 608-437-3101

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 up 3.15% from 2022.
- Utility payment-in-lieu-of-taxes (PILOT) payments are flat from 2022.
- State transportation aid payment is up \$27,000 over 2022 (6%).
- Other than the Transportation Aid, total intergovernmental revenue is flat.
- Total revenues for the GF are up \$292,000.
- The fire protection budget increased by \$11,286 or 2.03%.
- The budgeted increase in GF expenditures for the 2023 budget is 6%. We are budgeting to draw down fund reserves by approximately \$300,000. We are not concerned about this as historically our departments are conservative so we come in under expenditures.

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 each house constructed. The fee is collected prior to issuing a building permit.

Annually we budget \$13,000 for park equipment and improvements. For 2023 we budgeted \$65,000 for rehab work at Grandma Foster Park and new playground equipment at Waltz Park. With the continued residential growth, the Fund balance is projected to remain stable around \$200,000.

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. For 2022 through 2024, the budget will increase to \$23,000 for the replacement of the ash trees that will be removed during this period.

Swimming Pool: For 2023 we are proposing maintaining the levy at \$30,000. The levy is projected to increase to \$40,000 in 2024 and remain stable through 2027. The Parks Committee annually reviews the financials for the pool to determine if changes are needed in the fee structure.

Cable TV Fund: The Cable TV Budget is funded entirely by cable franchise fees. This budget contains a significant investment in equipment for the Cable TV department and to improve the equipment for recording board meetings. The total cost of the project is \$117,000 and we anticipate using \$23,000 of ARPA funds to cover a portion of the project.

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 \$47,343 in 2023 to fund operations; an increase of \$7,891 (20%) over 2022. Revenues from other contributing municipalities and Dane county are also expected to increase a similar amount. A major reason the increase is needed is that when we performed the compensation study, we discovered the positions were woefully underpaid. This is the second year of increases the levy to catch up on wages.

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 2022 are budgeted to increase by 1.5% over the 2023 budget, with the Village levy contribution increasing by that same amount.

The budgeted starting fund balance is projected to remain unchanged for 2023 at \$182,980.

Employee Retirement Insurance Fund: The Village set up this fund several years ago to cover costs of benefits for qualified employees. The benefit allows a portion of accumulated sick time to convert to cash upon retirement for use specifically to cover health premium costs. After a review of our existing benefits and a survey of desired benefits by our employees, we are again extending this benefit to all employees.

This fund is budgeted to remain 100% funded levying \$44,000 in 2023 and stabilize thereafter to cover Village employee sick leave actuarial costs (including Library and Outreach departments).

Tourism Promotion Fund: This fund was established in 2017 for the revenue and expenditures from the room tax. We are budgeting \$75,000 in revenue in 2023 with increases going forward. 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 Village approved a \$200,000 loan made to Floss Please LLC for the new Mount Horeb Dental for their new facility and has approved a \$75,000 loan to the Driftless Social for their renovation of the former Schuberts as a supper club.

General Debt Service Fund: This fund accounts for the debt payments due on Village loans. The debt service levy will remain at \$1,600,000 for 2023 and remain steady through 2027.

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 2022 equalized value is \$1,031,798,244. This means that the Village can legally borrow \$51,589,911. The Village will be at 40.53% of its debt limit in 2023, down from 42.41% in 2022. The debt limit will further decrease each year, to 29.95% of its debt limit in 2026. Total general Village-related debt payments in 2023 will be \$2,857,637.

TID Debt Service Fund: This fund accounts for debt issued for TID 3 and 5. 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 are recommending the following non-utility capital projects for 2023:

- Replace Police Squad and Equip as K-9 Unit: \$65,000
- Police Server Upgrade: \$6,000
- Police Dictation Equipment: \$6,200
- Street Replacement Projects: \$897,000
- Street Maintenance Projects: \$263,700
- Storm Sewer Replacement: \$110,000
- Sidewalk Installation: \$20,000
- Replace 2010 Paint Striper and Line Driver: \$11,500
- Replace 1991 Asphalt Roller: \$21,000
- Replace 2012 Chipper: \$36,000
- Replace 2008 John Deere Utility Tractor/Mower: \$30,000
- Replace Playground Equipment: \$130,000
- Recreation Department Restroom: \$27,000
- Aquatic Center Improvements: \$22,800
- Parking Lot Maintenance: \$9,600
- Viking Park HS Field Lights: \$150,000
- Tennis/Pickleball Court Reconstruction \$200,000
- Emerald Ash Borer Removals: \$5,500
- Grundahl Park Infield Renovation: \$13,200
- Library Capital Items: \$12,500

Total non-utility capital projects in 2023 are \$2,037,000. Budgeted revenues total \$1,188,750 including debt, equipment trade in, park replacement fund, cost share with the school and softball club and ARPA funds leaving a total levy for Capital Projects at \$250,000. Utilities pay for their capital projects directly from their respective depreciation accounts and from issuing revenue bonds.

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 2022 increment value in TID #3 is \$44,258,000. This is up \$5,311,900 from 2021.

This TID has always projected as being very tight to whether it will pay off all expenses during its lifetime. With recent growth in the district it now appears that pending any significant decreases in the mill rate, it will pay off.

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 2022 is projected to be -\$848,063.

TID 4 Fund: TID 4 was formally closed in 2022. Thanks to the increment generated we were able to return \$140,169 to our general fund and \$258,209 to the other taxing entities.

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. In 2022 increment value in TID #5 is \$62,373,800, an increase of 12% or \$7,234,200 (12%) over 2021.

Levy

The Village levies from eleven (11) different funds and six (6) 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 2023 is 2.43% more than the levy in 2022. The levy for 2023 complies with this requirement. For 2023, the Village's levy toward the levy limit is \$3,855,487 (excluding debt levy). The total general levy is \$5,510,949 (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 1.75%. This represents a decrease of around \$200 on a \$250,000 assessed property for the Village portion of the tax bill. The one outstanding item we have that would affect the levy is the additional amount we can increase the levy based on the retired TID 4 increment. There is a complicated formula that allows us an additional increase in the levy, exempt from levy limits, based on the value of the retired TID. That number will not be finalized until we have all the tax rates from the other tax entities.

Utilities

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. We are in the process of an application to the Wisconsin Public Service Commission for the first electric utility rate increase since 2006.

Electric utility debt was paid off in 2022 but there will be debt payments resuming in 2024 for the new substation project. The estimated starting cash balance in the electric fund for 2023 is \$2,825,862 and the estimated ending balance is \$3,281,643.

The electric utility's capital projects in 2023 are:

- New Electric Substation: \$4,000,000
- Replace 2011 40' Bucket Truck: \$160,000
- Replace 2012 Chevrolet 2500 pickup: \$40,000
- Replace 2013 Trencher: \$245,000
- Downtown Substation Work: \$300,000
- Northeast Substation Work: \$317,000
- Replace 2012 Morbark Chipper (50% with Public Services Department): \$23,500

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. Total water-related debt payments in 2023 are \$182,400. The estimated starting cash balance in the water fund for 2023 is \$1,173,228 and the estimated ending balance is \$1,049,031.

The water utility's capital projects in 2023 are:

- System Leak Detection: \$5,000
- Meter Replacements: \$110,000
- Water Main Replacement: \$1,390,257

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. Total sewer-related debt payments in 2023 are \$1,106,734. We project payments to remain level through 2026. The estimated starting cash balance in the sewer fund for 2023 is \$1,270,114 and the estimated ending balance is \$947,906.

The sewer utility's capital projects in 2023 are:

- Fence/Gate on ATC Easement: \$5,000
- SCADA PC's and Software Upgrade: \$18,000
- New 2023 Ford F150 Pickup: \$45,000