

Village of Mount Horeb



2020 Operating Budget and
2020-2024 Capital Improvement Plan

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Village Administrator Budget Message

An overly simplified description of an annual budget development process is taking the net cost of our services divided by our assessed value to get our mill rate. The mill rate is then multiplied by the assessed value of each property to get the Village portion of that property's tax bill. Building a realistic, functional budget involves great effort by a wide range of stakeholders. A budget should reflect a municipality's priorities. In 2019 Village Staff and Trustees participated in a strategic planning process to help identify our vision for the future of Mount Horeb. This visioning process helped us begin to build our collective goals for Mount Horeb, which will drive the budget process in following years.

The budget development process began back in June with Department Heads meeting with their respective Committees to review their Department's funding priorities for the upcoming year. Then 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. Department Heads then met with the Finance & Personnel Committee to review their 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 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 effects of today's budgeting decisions, Board Members are able to analyze whether their budget decisions align with the vision and goals of the Village. 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 2020 are sustainable.

The 2019 total assessed value for the Village is \$736,560,660; an increase of \$29,543,660 or 4.18% over 2018. The allowable levy increase for 2020 is tied to net new construction; which for 2019 was \$28,519,500 or 3.88%.

The State's Expenditure Restraint Program rewards municipalities under a specified rate of increase. The Village's 2019 budget qualified us to receive the ERP payment in 2020. The formula for Expenditure Restraint Payment is 60% of the net new construction plus Consumer Price Index-U Midwest September. The net new construction portion of the formula is capped at 2%. The CPI portion is 1.9%. Adding the 2% for 60% of net new construction to this number, we can calculate our expenditure restraint requirement to be 3.9%. Our actual number is currently 3.83%.

Health insurance costs are increasing for 2020 by 4%. For the first time the State is allowing local governments to participate in their group for dental insurance. By joining the larger group for dental insurance, the Village and its employees will see significant savings, depending on the plan the employees choose. The State plan offers 3 different levels of insurance. If employees choose the first two levels, they will see similar coverage at a lower rate. If an employee chooses to add the third level, their cost will be slightly higher, but they will receive significantly better coverage.

The Village is fortunate to have a good group of employees overall including many long-term dedicated employees. This budget includes a 2.0% wage increase for a majority of the employees.

This budget document explains the uses for numerous Village funds and provides the 2020 highlights for each fund. The overall levy increase for 2019 is 6.18%; with the largest increase being for debt service. The budgeted change in the mil rate for 2019 is projected to be 1.92% and then stay relatively flat 2021 - 2024. 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 9th for their final review of the 2020 Budget and Capital Improvement Plan (CIP) and are recommending the proposed budget for approval. The Village Board will hear a presentation on the 2020 budget on November 6, 2019 and set a public hearing for the 2020 Budget and the 2020 – 2024 CIP for a special meeting on November 20, 2019 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 2020 Budget and the 2020 - 2024 CIP.

Elected Officials

VILLAGE PRESIDENT: Randy Littel

VILLAGE TRUSTEES: Beth Hill
Brenda Monroe
Cathy Scott
Jason Fendrick
Jessica Jackson
Ryan Czyzewski

MUNICIPAL JUDGE: Jody Morey

Village Officials

Administrator: Nicholas Owen ----- 437-9409
Assistant Administrator: Kathy Hagen ----- 437-9408
Assessor: Accurate Appraisal----- 1-800-770-3927
Attorney: Stafford Rosenbaum Law Office ----- 259-2618
Building Inspector: General Engineering----- 437-7748
Chief of Police: Jeff Veloff----- 437-1257
Civil Defense Director: Eric Brinkmann----- 437-5571
Engineer: Rob Wright ----- 833-7373
Court Clerk: Jean Culberson ----- 437-7748
Clerk/Deputy Treasurer: Alyssa Gross ----- 437-9404
Electric & Water Superintendent: Dave Herfel----- 437-3300
Finance Director: Amy Hall ----- 437-9406
Fire Chief: Jenny Minter ----- 437-5571
Librarian: Jessica Williams----- 437-5021
Outreach Director: Lynn Forshaug----- 437-6902
Public Broadcasting Coordinator: Diane Stojanovich-----437-6884 ext 2113
Public Services Director: Jeff Gorman----- 437-3351
Recreation Director: Jill Dudley----- 437-9451
Wastewater Superintendent: John Klein ----- 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% from 2019
- Utility payment-in-lieu-of-taxes (PILOT) payments are up \$26,500 or 6%
- Due to an increase in the funding pool, State transportation aid payments are up just under \$65,000 or 15%
- Other than the Transportation Aid, Total intergovernmental revenue is flat
- Total licenses and permit revenue are projected to be flat for 2019
- Total revenues for the GF are up \$408,000 or 6.0%.
- The fire protection budget increased by \$32,000 or 7%.
- The police patrol budget includes a new officer position as well as funding for the Village's share of a School Resource Officer. Our approved agreement with the School says we will split the funding of the position 50/50.
- 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 \$35,000 in 2020 with the funding coming from the Electric Utility. The EDC funding represents a reduction from previous funding requests, which is consistent with the long-term plan for the EDC to reduce their funding requirement from the Village.
- The budgeted increase in GF expenditures from the 2019 budget is 5%. We are budgeting to draw down fund reserves by about \$12,000, which will leave the general fund unassigned and unrestricted reserve balance at \$1,412,475 or 28% of expenditures. This amount falls just over the approved policy range of 20% - 25%. Budgeted reserves for 2021 - 2024 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 2020, \$13,000 is budgeted for park equipment and improvements. With the continued residential growth, the estimated fund balance is projected to remain stable around \$125,000.

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. The budget includes \$21,421 for equipment and tree purchases. For 2020 the fund also budgets to cover \$40,000 toward a \$200,000 expenditure for a bucket truck. This fund is budgeted to remain in the black through 2024.

Swimming Pool: For 2020 we are proposing raising the levy to \$55,000, a \$10,000 increase from 2019. The last few years we have been using the fund balance for this account to keep the levy lower but the fund balance would go negative without a levy increase. The levy is projected to remain stable through 2024. The Parks Committee reviews the financials for the pool annually and determines if changes are needed in the fee structure.

Cable TV Fund: The Cable TV Budget is funded entirely by cable franchise fees. The starting balance for this fund is \$84,404 and the expected ending balance is \$96,002. The balance is projected to continue to grow through 2024. 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 \$29,877 in 2020 to fund operations; an increase of \$1,000 over 2019. Revenues from other contributing municipalities and Dane county are also expected to increase around \$1,000. 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 2024.

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 2020 are budgeted to increase by 4% over the 2019 budget, with the Village levy contribution remaining at a 3% increase. The budgeted library fund balance looks to remain steady to increasing through 2024. 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.

The budgeted starting fund balance is \$169,361 and the estimated ending balance is \$162,825.

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 extending this benefit to all employees who are eligible for health insurance.

This fund is budgeted to remain 85% funded after having levied \$30,000 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 85% funded.

The budget projects drawing down the fund balance from \$322,983 to \$315,294.

Tourism Promotion Fund: This fund was established in 2017 for the revenue and expenditures from the room tax. Based on prior years collections we are leaving the anticipated revenue at \$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.

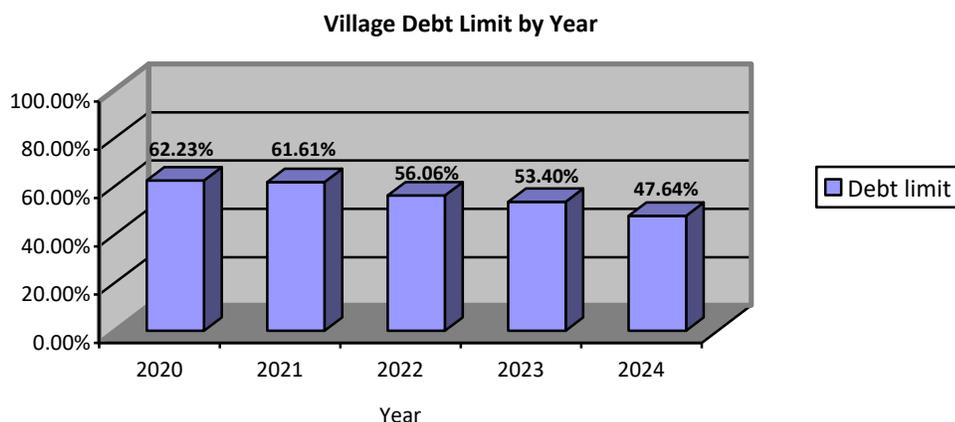
Revolving Loan Fund: The Village established this fund in 2010 to help promote economic development in the Village. The fund provided loans to two local businesses and the principal and interest repayments on those loans go into the fund's balance for future use. Both outstanding loans were repaid as of the spring of 2017 leaving a fund balance of \$285,300 available to loan out for projects at the beginning of 2020. We had one approved application and one inquiry in 2019. The approved application was for \$200,000 but they have not yet finalized the loan; but we anticipate that happening soon.

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 2020 levy by 3.88% plus the amount needed to fund loan repayments. The debt service levy will increase by \$93,000 in 2020. The levy for debt should level off through 2024 with no large debt projects anticipated.

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 2019 equalized value is \$799,777,781. This means that the Village can legally borrow \$39,988,889. The Village will be at 62.23% of its debt limit in 2020, down from 69.11% in 2019. The debt limit will further decrease each year, to 47.64% of its debt limit in 2024. Total general Village-related debt payments in 2020 are \$2,843,308.



TID Debt Service Fund: This fund accounts for debt issued for TID 3, 4 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 has recommended the following non-utility capital projects for 2020:

- Election Equipment: \$7,400
- Municipal Building Painting: \$5,000
- New Police Squad: \$44,000
- Radios for New Squad: \$8,000
- Police Mobile Data Computers: \$20,000
- Police tasers: 3,500
- Vehicle for Community Services Officer: \$5,500
- Street Reconstruction Projects: \$1,145,000 funded by 2019 Debt Issuance
- Crack filling and Seal Coating: \$125,000
- Public Services Office and Breakroom Improvements: \$10,000
- Replace F-450 Dump-truck: \$50,000
- New tires for Loader: \$11,000
- Emerald Ash Borer Treatment: \$8,000
- Comprehensive Outdoor and Recreation Plan Update: \$20,000
- Replace 2002 Budget Truck: \$250,000
- Garfield Park Warming House Roof Replacement: \$5,000
- Aquatic Center Improvements: \$35,000
- Recreation Mini Van Replacement: \$20,000
- Recreation AC Replacement: \$6,000
- Library HVAC Replacement: \$166,255
- Interior and Exterior Projects at the Library: \$52,900

Total non-utility capital projects in 2020 are \$1,997,555. Budgeted revenues include \$39,000 for the sale of village equipment, \$40,000 in transfers from other funds, \$1,145,000 in debt and a levy of \$270,000. The 2020 Capital Projects Levy is \$20,000 higher than in 2019. 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 2019 increment value in TID #3 is \$32,922,400. This is up \$2,633,500 or 8% from 2018.

Beginning in 2020 the debt service payments increase from \$506,000 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.

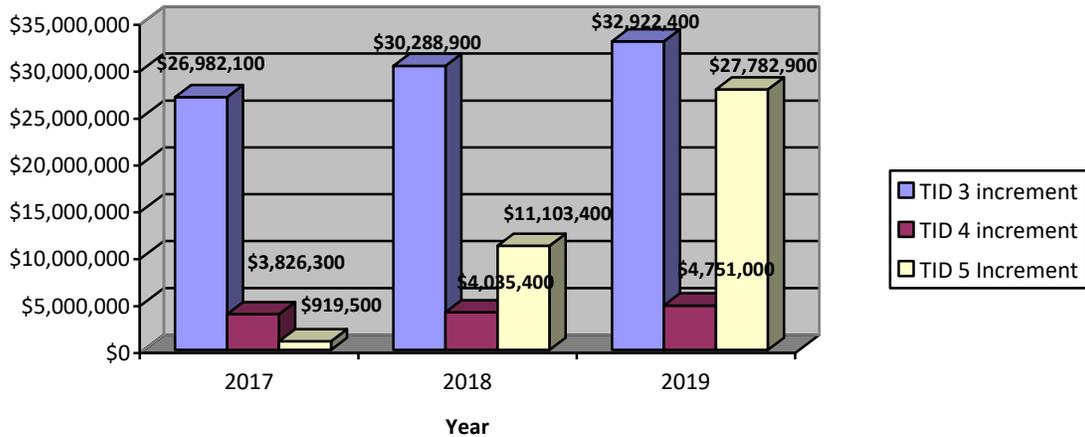
The estimated fund balance at the end of 2019 is projected to be (\$632,693).

TID 4 Fund: This fund manages the revenues and expenses associated with Tax Increment District #4. TID 4 is in good financial shape and has sufficient fund balance to pay off the remaining debt and close the district early.

The 2019 increment value in TID #4 is \$4,751,000, up \$715,600 or 9% from 2018. The expected ending balance at the end of 2019 is \$270,618.

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 2018 and the full value of the building will be seen in the 2020 budget. In 2019 increment value in TID #5 is \$27,782,900, an increase of 46% or \$16,679,500 over 2018.

TID Increment Values



Levy

The Village levies from eleven (11) different funds and nine (9) 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) (3)
- Debt Service
- TID Debt Service

The total combined levy from levy-limit funds cannot be more than the state-imposed limit, which for 2020 is 3.88% more than the levy in 2019. The levy for 2020 complies with this requirement. For 2020, the Village's levy toward the levy limit is \$3,649,730 (excluding debt levy). The total general levy is \$5,478,082 (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 6.18%; however, with additional assessed value in the community, the net Village levy on a \$250,000 assessed property is set to increase by 1.92%, \$19 less than the increase in 2019.

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.

Total electric-related debt payments in 2020 are \$103,688. All electric utility debt will be repaid in 2021. In 2023 or 2024 we anticipate needing to issue debt for a new electric substation. 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 projects in 2020 are:

- Replace 2005 Chevy 1500: \$17,500 (shared 50/50 with water utility)
- Replace 2007 Chevy 350 Dump Truck: \$33,750 (75% Electric/25% Water)
- Northeast substation work: \$18,000

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 2020 are \$182,400. 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 2020 are:

- Replace 2005 Chevy 1500: \$17,500 (shared 50/50 with water utility)
- Replace 2007 Chevy 350 Dump Truck: \$11,250 (75% Electric/25% Water)
- System leak detection: \$4,200
- Meter replacements: \$43,000

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 2020 are \$1,107,166. We project payments to remain level through 2024. 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 2020 is:

- Lift Station Improvements: \$36,000