

# Village of Mount Horeb



2022 Operating Budget and  
2022-2026 Capital Improvement Plan

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## Village Administrator Budget Message

2021 saw us partially rebound and come out of COVID restrictions, only to have some of them return. While our new construction and growth was slowed, we did see some areas, such as our recreation programs, return to pre-pandemic numbers. With the limited growth we had very limited room for new items in our 2022 budget and our department heads again sharpened their pencils and amended their budget requests to fit within our constraints. Mount Horeb is very fortunate to have a dedicated workforce that strives 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 back in June with Department Heads meeting with their respective Committees to review the 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 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 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 align with the 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 2022 are sustainable.

The 2021 total assessed value for the Village is \$761,229,160; an increase of \$10,558,300, or 1.41%, over 2020. The allowable levy increase for the 2022 Budget is tied to net new construction; which for 2021 is 1.113%, excluding debt levy.

The State's Expenditure Restraint Program rewards municipalities under a specified rate of increase. The Village's 2020 budget qualified us to receive the ERP payment in 2021. 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%. We have received the final CPI numbers from the state and for the 2022 budget our allowable increase, to be eligible for the 2023 payment, is 3.69%.

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. This year GHC reduced their premiums replacing Quartz as the lowest cost option. This will help keep the Village portion of health insurance premiums to an increase of 0.5%.

The Village is fortunate to have a good group of employees overall including many long-term dedicated employees. This budget includes a 3.0% wage increase for a majority of the employees.

This budget document explains the uses for numerous Village funds and provides the 2022 highlights for each fund. The overall levy increase for 2022 is 1.03%. The budgeted change in the mil rate for 2022 for the Village is projected to decrease by 0.49% and then stay relatively flat 2023 - 2026. 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 13<sup>th</sup> for their final review of the 2022 Budget and Capital Improvement Plan (CIP) and are recommending the proposed budget for approval. The Village Board will hear a presentation on the 2022 budget on November 3<sup>rd</sup> and set a public hearing for the 2022 Budget and the 2022 – 2026 CIP for a special virtual meeting on November 17, 2021 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](mailto:nic.owen@mounthorebwi.info). Following the November public hearing, the Board will vote to approve the 2022 Budget and the 2022 - 2026 CIP.

## Elected Officials

VILLAGE PRESIDENT: Randy Littel

VILLAGE TRUSTEES: Aaron Boehnen  
Brenda Monroe  
Brett Halverson  
Cathy Scott  
Jason Fendrick  
Ryan Czyzewski

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 Gross ----- 608-437-9404  
Court Clerk: Jean Culberson ----- 608-437-7748  
Economic Development Director: Rowan Childs----- 608-437-9417  
Electric Interim Superintendent: Gerry Rick ----- 608-437-3300  
Engineer: Rob Wright ----- 608-833-7373  
Finance Director/Deputy Administrator: Amy Hall ----- 608-437-9406  
Governance Coordinator/Deputy Treasurer: Denise Schwenn----- 608-437-9408  
Fire Chief: Jenny Minter ----- 608-437-5571  
Librarian: Jessica Williams ----- 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 1.67% from 2021
- Utility payment-in-lieu-of-taxes (PILOT) payments are down \$22,644 or 5.2%
- State transportation aid payments are down \$53,833 or 11% due to the year the Village undertook 5 years of street projects dropping out of the funding formula
- Other than the Transportation Aid, Total intergovernmental revenue is flat
- Total revenues for the GF are up \$124,312.
- The fire protection budget increased by \$29,786 or 5.34%.
- The budgeted increase in GF expenditures for the 2022 budget is 3.6%. We are budgeting to draw down fund reserves by approximately \$145,488, which will leave the general fund unassigned and unrestricted reserve balance at \$835,182 or 16.06% of expenditures. This amount falls below the fund balance policy range of 20% - 25%. We are not concerned about this as historically our departments are conservative and we come in under expenditures each year but staff will keep an eye on this.

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.

Annually we budget \$13,000 for park equipment and improvements. With the continued residential growth, the estimated fund balance is projected to remain stable around \$235,000.

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: 2021 saw pool usage return to normal levels. For 2022 we are proposing reducing the levy to \$30,000, a \$20,000 decrease from 2021. The levy is projected to increase back to \$40,000 in 2023 and remain stable through 2026. 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 fund balance is projected to continue to grow through 2026. 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 \$39,453 in 2022 to fund operations; an increase of \$6,576 over 2021. 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. We are planning to catch the employees up with the average pay for their comparables over 2 years.

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 2021 budget, with the Village levy contribution increasing by that same amount.

The budgeted starting fund balance is projected to remain unchanged for 2022 at \$254,556.

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 \$35,000 in 2022 and an additional \$5,000 each year thereafter into the fund to cover Village employee sick leave actuarial costs (including library and Outreach departments).

The budget projects the fund balance to remain relatively stable going forward.

Tourism Promotion Fund: This fund was established in 2017 for the revenue and expenditures from the room tax. This fund bounced back nicely in 2021 and we are budgeting \$75,000 in revenue in 2022 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 will be considering a \$75,000 loan to the Driftless Social for their renovation of the former Schuberts as a super 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 2022 and remain steady through 2026.

#### 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 2021 equalized value is \$921,515,718. This means that the Village can legally borrow \$46,075,786. The Village will be at 47.02% of its debt limit in 2022, down from 52.25% in

2021. The debt limit will further decrease each year, to 33.20% of its debt limit in 2026. Total general Village-related debt payments in 2022 are \$2,875,306.

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 worked with department heads to cut \$300,000 out of the initial budget requests and are recommending the following non-utility capital projects for 2022:

- New Website and Agenda Management software: \$35,000
- Municipal Building Maintenance-elevator repair: \$6,000
- New Police Squad and Equipment: \$62,000
- AED Replacements: \$6,000
- Street Reconstruction Projects: \$700,000 funded by 2021 Debt Issuance
- Crackfilling and Seal Coating: \$155,472
- Replace 2006 Patrol Truck: \$215,000
- Replace 2012 Chevy Silverado Pickup: \$42,000
- 9' rear blade for John Deere Tractor: \$6,000
- Community Center Renovations and furnace replacement: \$27,000
- Wading and Plunge Pool Painting: \$10,000
- Senior Center Office Space: \$119,453 (grant funding)

Total non-utility capital projects in 2022 are \$1,384,425. Budgeted revenues include \$30,000 for the sale of village equipment, \$119,453 from a CDBG grant, \$109,855 State expenditure restraint payment, \$182,322 transfers from other funds, including TID #4 close-out, and a levy of \$270,000. The 2022 Capital Projects Levy is equal to the 2021 levy. 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 \$42,204,000. This is up \$5,279,400 versus 2021 due to the completion of the Mount Horeb Dental building and Summit Credit Union.

The increase in increment made the TID cash flow in 2022 and it will remain tight for the remainder of the TID's life.

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 -\$792,600.

TID 4 Fund: This fund manages the revenues and expenses associated with Tax Increment District #4. In 2021 the Board voted to leave the TID open for 2022 to generate revenue for affordable housing and will need to take action in 2022 to formally close the district.

The 2022 increment value in TID #4 is \$4,710,700 which is flat from 2021. Staff will work on projections for the closing balance of the TID and what amount will be returned to the Village and other taxing jurisdictions.

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 was seen in the 2020 budget. In 2022 increment value in TID #5 is \$37,023,800, an increase of 7% or \$3,827,300 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 2022 is 1.113% more than the levy in 2021. The levy for 2022 complies with this requirement. For 2022, the Village's levy toward the levy limit is \$3,764,022 (excluding debt levy). The total general levy is \$5,416,182 (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 decrease by 0.49%. This represents a decrease of \$9 on a \$250,000 assessed property for the Village portion of the tax bill.

## 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.

The estimated starting cash balance in the electric fund for 2022 is \$2,987,548 and the estimated ending balance is \$3,052,327.

The electric utility's capital projects in 2022 are:

- Replace 2021 Chevy 2500: \$40,000
- Replace 2011 40' Bucket Truck: \$130,000
- Replace 1999 Meter Test Bench: \$40,000
- Downtown Substation work: \$18,000
- New Work Order/GPS Mapping Software: \$110,000
- New Electric Substation: \$2,500,000.

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 2022 are \$180,650. The estimated starting cash balance in the water fund for 2022 is \$1,352,938 and the estimated ending balance is \$2,267,475.

The water utility's capital projects in 2022 are:

- System leak detection: \$4,200
- Meter replacements: \$43,000
- Replace 2010 Chevy 2500: \$75,000
- Tower Cleaning: \$14,000
- Lead Service Replacement: \$1,420,000
- Well #3 Roof Replacement: \$30,000

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 2022 are \$1,107,018. We project payments to remain level through 2026. The estimated starting cash balance in the sewer fund for 2022 is \$1,584,760 and the estimated ending balance is \$1,316,760.

The sewer utility's capital projects in 2022 are:

- Lift Station Improvements: \$251,000
- Replacement of 2008 Vactor: \$430,000