

VILLAGE OF MENOMONEE FALLS 2018 FINANCIAL RESULTS

Summary presentation

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Finance Director

Annual Financial Report

Comprehensive Annual Financial Report (CAFR)

- Report on the financial position of the Village as of 12/31/18 and the results of 2018 operations
 - The overwhelming length of the CAFR is due to compliance with generally accepted accounting principles
 - The transmittal letter as well as management's discussion and analysis (MD&A) are good sources to find summarized information and can be found at the beginning of the CAFR
- Required to be prepared and audited annually (WI Tax 16.05)
 - Reilly, Penner & Benton LLP audited the 2018 CAFR

Major Report Components

- Transmittal Letter (Village profile and policies)
- Independent Auditor's Report
- Management's Discussion & Analysis (MD&A)
- Financial Statements
- Footnotes (plus other required statements)
- Statistical information

What are Funds?

- In simple terms, funds are like separate entities, with each tracking a separate type of activity.
 - Some Funds are mandatory (such as the General Fund)
 - Others are discretionary (such as the Solid Waste Fund)
 - By tracking activities in separate funds, we can more easily see the financial benefit or burden an activity is providing.

Fund Types

- Most of our funds fall into two categories:
 - Proprietary funds
 - These funds operate like a business where service fees provide a majority of the revenues to keep the fund operating.
 - Examples: Water Utility, Sewer Utility
 - Governmental funds
 - These funds are focused on reporting the results of specific activities and are largely supported by taxes.
 - Examples: General Fund, Municipal Facilities & Equipment Fund

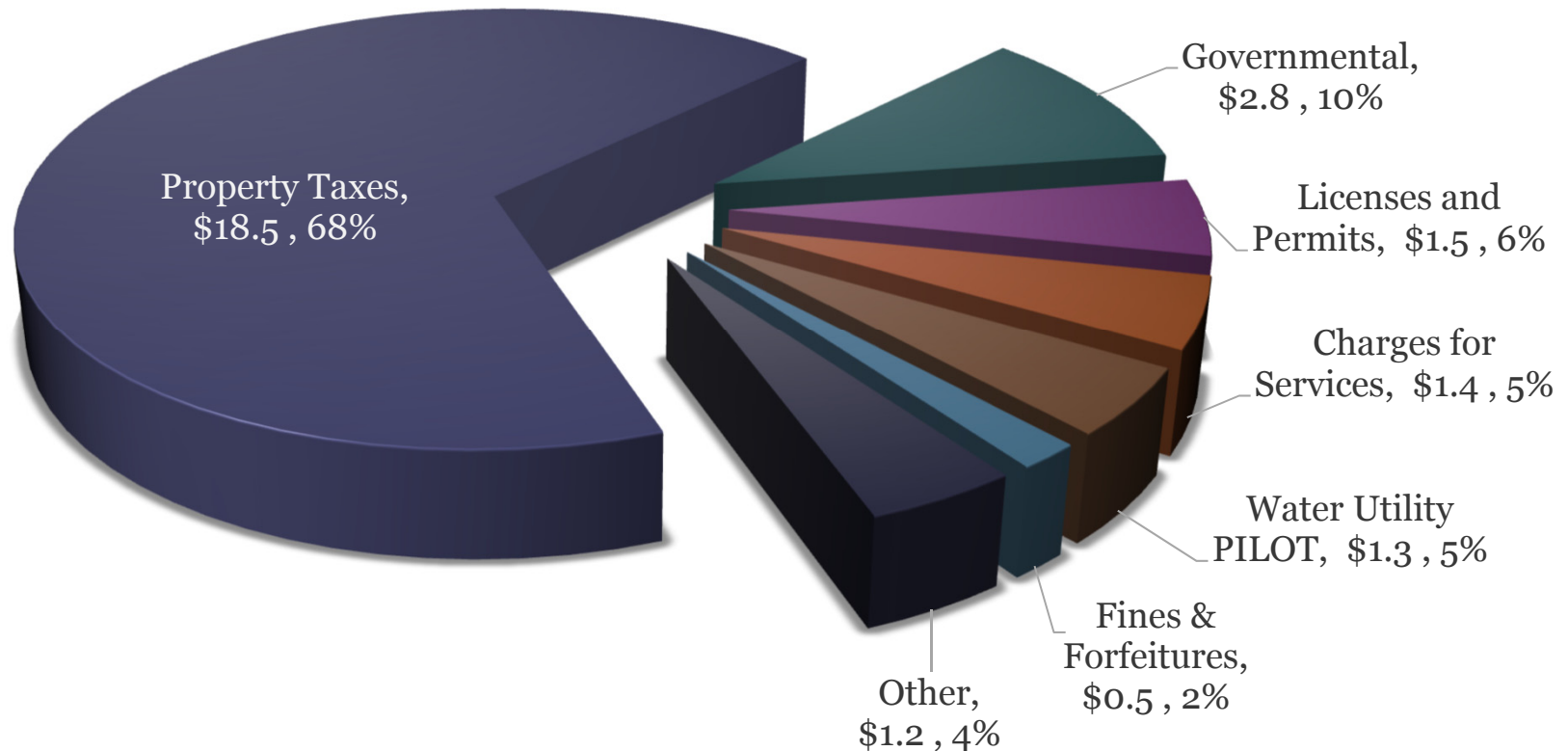
General Fund

General Fund

- The main operating fund of the Village which includes:
 - Public Safety (**Police, Fire**, EMS)
 - Public Works (**Right-of-Way** & Equipment Maint.)
 - Culture & Recreation (**Parks**, Old Falls Village)
 - Development (**Zoning, Permits**, Planning, Engineering)
 - General Government Supportive Services
 - Village Manager, Attorney, Court, Clerk Services, Human Resources, Building Maintenance, Financial Services, IT

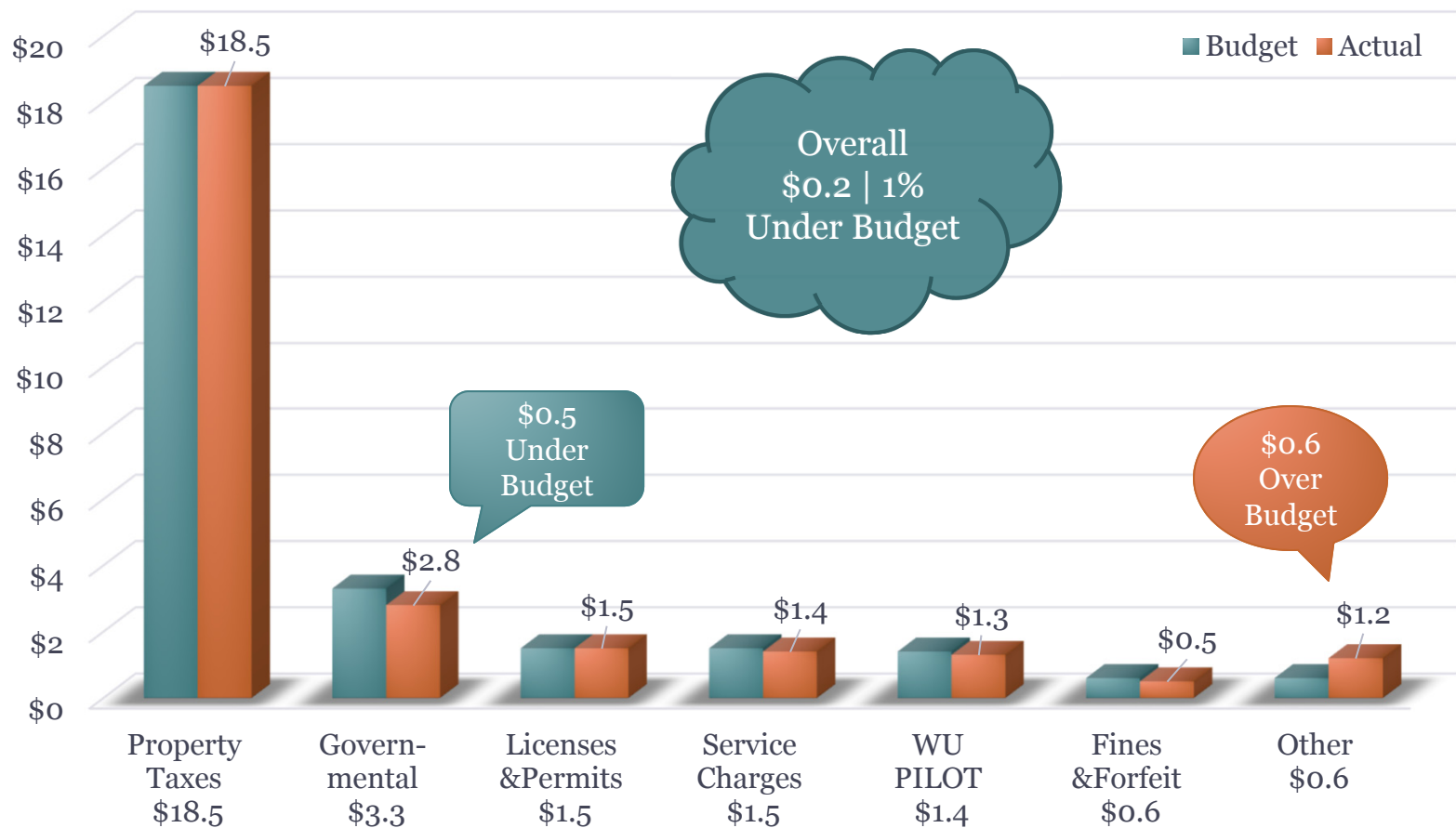
General Fund Revenues (\$27.2 million)

(in millions)



General Fund Revenues (Budget vs Actual)

(in millions)

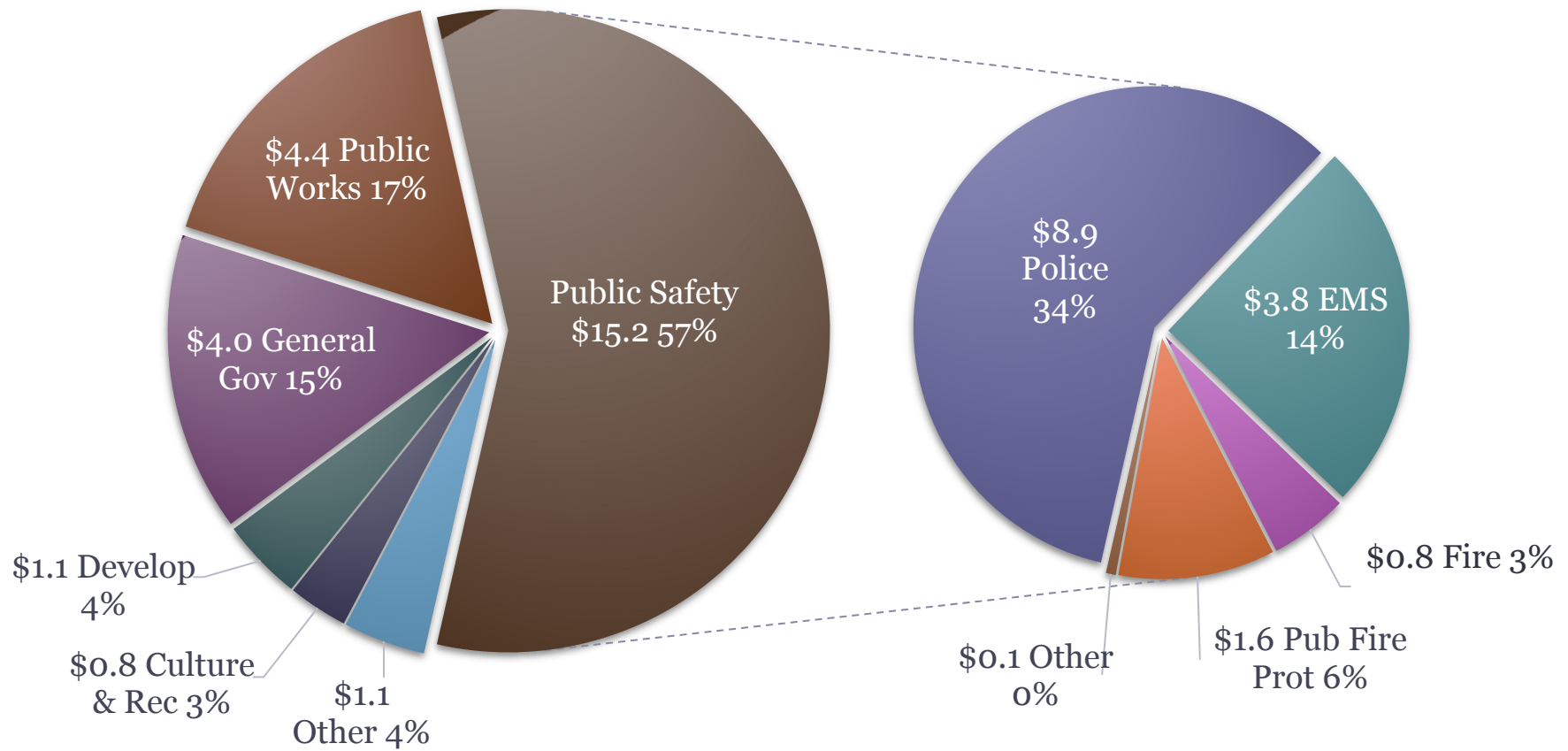


General Fund Revenues (Budget vs Actual)

- Overall, revenues were under budget by \$0.2 million.
 - The most significant shortages include:
 - Failure to secure a Police personnel grant - \$0.3 million
 - Moving 2% Fire Dues to a Special Revenue Fund - \$0.2 million
 - Fire Due were moved to a Special Revenue Fund for greater clarity.
 - The surplus in the “Other” category includes \$0.4 million received from the sale of Village properties.
 - Proceeds from Village property sales are held for future capital projects.

General Fund Expenditures (\$26.7 million)*

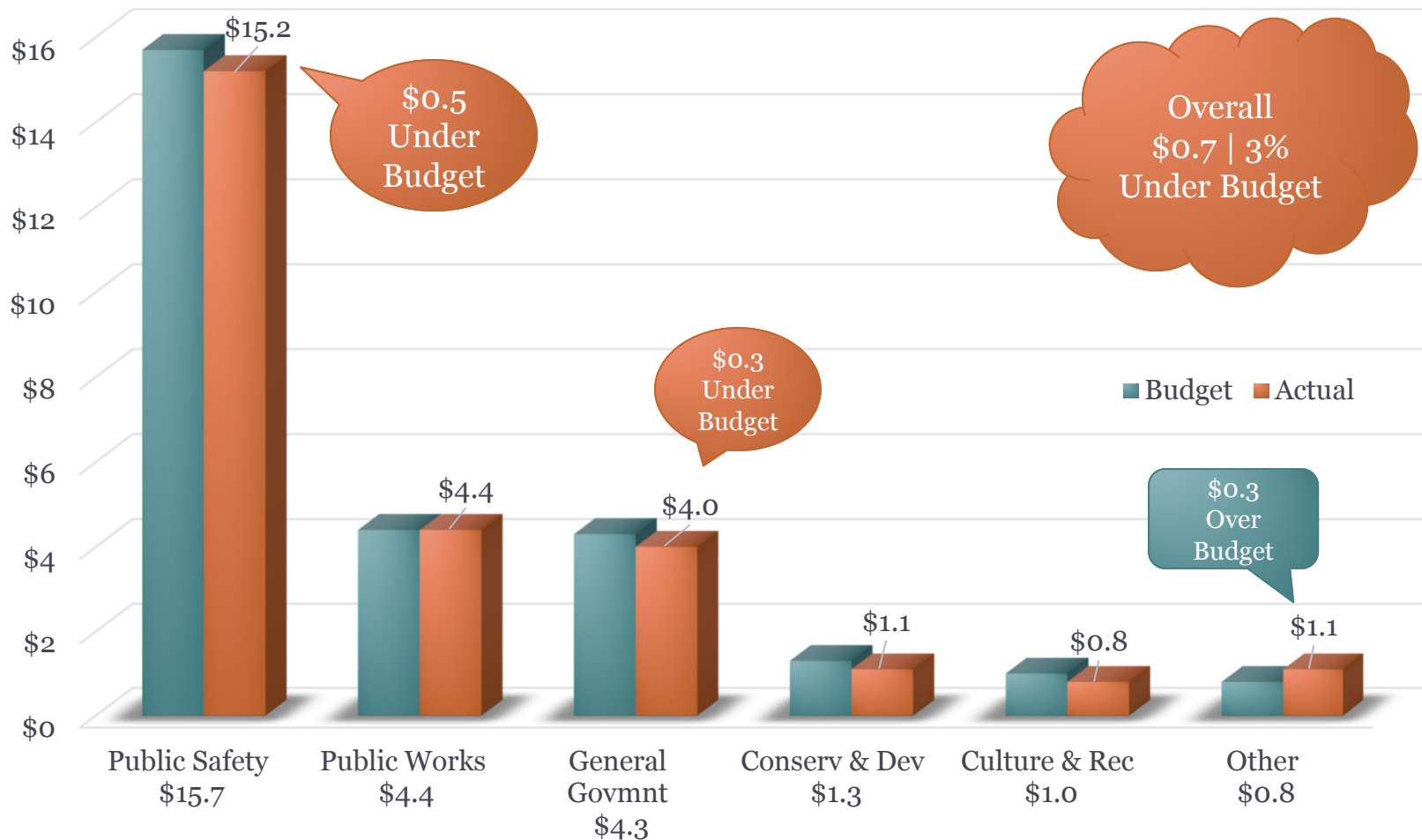
(in millions)



* Does not include the surplus transfer of \$0.2 million

General Fund Expenditures (Budget vs Actual)

(in millions)



General Fund Expenditures (Budget vs Actual)

- Overall, expenditures were under budget by \$0.7 million.
 - The most significant savings include:
 - Unfilled Police Department positions - \$0.7 million (includes grant positions)
 - Moving 2% Fire Dues expenditures to a Special Revenue Fund - \$0.2 million
 - Delayed IT projects - \$0.2 million (video surveillance, workstations, software upgrades)
 - The budget overage in the “Other” category includes a transfer of \$0.4 million to the Capital Projects Fund.
 - Proceeds from Village property sales are held for future capital projects.

General Fund (Surplus) (in Millions)

Revenues	\$27.2
Expenditures	<u>- 26.7</u>
Overall surplus (2% of budget)	0.5



Transfer to Municipal Facilities Fund	<u>- 0.2</u>
Change in fund balance	\$0.3

General Fund (Fund Balance) (in Millions)

Fund balance (beginning of year)	\$9.7
Change in fund balance	0.3
Fund balance (December 31, 2018)	\$10.0

Fund Balance Breakdown


Nonspendable	\$3.0
Unassigned	7.0

Monthly expenditures (based on 2019 budget)	\$2.3
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Months of working capital = 3.1



Tax Rate Comparison




Municipality	Size in Acres	Population	Eq Val (billion)	Assd Val (billion)	Asmnt Ratio	2018 Oper Tax Levy (million)	2018 TID Tax Levy (million)	2018 Total Muni Levy (million)	2018 Total Tax Levy (million)	Muni Tax Rate	Overall Tax Rate
City of Pewaukee	12,480	14,371	3.2	2.9	0.9040	9.4	0.0	9.4	44.6	3.28	14.43
Village of Merton	1,920	3,592	0.4	0.4	0.9408	1.4	0.0	1.4	6.1	3.32	12.37
Village of Lannon	1,562	1,143	0.1	0.1	0.9327	0.4	0.0	0.4	1.9	3.35	14.75
Village of North Prairie	1,798	2,198	0.2	0.2	0.9119	0.8	0.0	0.8	3.4	3.80	14.60
Village of Oconomowoc Lake	1,267	595	0.3	0.4	1.0263	1.4	0.0	1.4	5.6	3.99	13.77
Village of Chenequa	2,266	584	0.5	0.5	1.0221	2.0	0.0	2.0	7.0	4.03	12.92
Village of Nashotah	1,069	1,389	0.2	0.2	0.9239	0.7	0.0	0.7	2.5	4.09	12.78
City of Delafield	6,022	7,494	1.5	1.4	0.9566	6.1	0.1	6.2	22.7	4.40	14.09
City of Muskego	20,224	24,882	3.1	3.0	0.9528	12.8	2.0	14.8	48.8	4.50	14.69
Village of Lac La Belle	627	295	0.1	0.1	1.0176	0.5	0.0	0.5	1.9	4.69	14.53
Village of Eagle	851	1,998	0.2	0.2	0.8890	0.8	0.0	0.8	3.1	4.79	17.54
City of New Berlin	23,322	39,803	5.4	5.3	0.9772	25.7	0.0	25.7	93.1	4.86	15.62
Village of Hartland	3,277	9,212	1.3	1.2	0.9341	6.0	0.2	6.2	20.3	4.89	14.66
Village of Pewaukee	2,643	8,176	1.0	1.0	0.9597	4.9	0.0	5.0	16.7	5.14	15.34
Village of Menomonee Falls	21,120	37,443	5.1	4.8	0.9506	23.5	6.8	30.3	89.0	5.23	15.95
City of Oconomowoc	7,386	16,526	2.2	2.0	0.9169	11.3	0.6	12.0	37.5	5.62	16.44
City of Brookfield	17,338	38,016	7.2	6.9	0.9612	38.8	1.1	39.9	124.7	5.64	15.25
Village of Sussex	4,845	10,765	1.4	1.3	0.9656	7.3	0.6	7.9	22.9	5.64	15.91
Village of Elm Grove	2,093	6,174	1.2	1.2	0.9952	7.0	0.6	7.6	21.1	6.25	16.49
Village of Dousman	1,651	2,317	0.2	0.2	0.9212	1.2	0.0	1.2	3.7	6.68	18.26
Village of Mukwonago	5,056	7,820	0.9	0.9	1.0005	5.7	0.8	6.6	14.8	7.08	15.85
Village of Wales	2,099	2,582	0.4	0.4	0.8932	1.3	0.5	1.8	6.6	7.79	15.92
Village of Butler	499	1,820	0.3	0.2	0.9632	2.0	0.0	2.0	5.0	8.17	19.02
Village of Big Bend	1,990	1,316	0.2	0.2	0.9580	1.5	0.0	1.5	3.3	8.74	18.12
City of Waukesha	15,878	72,363	6.4	6.2	0.9622	62.8	5.8	68.6	130.2	10.65	19.57

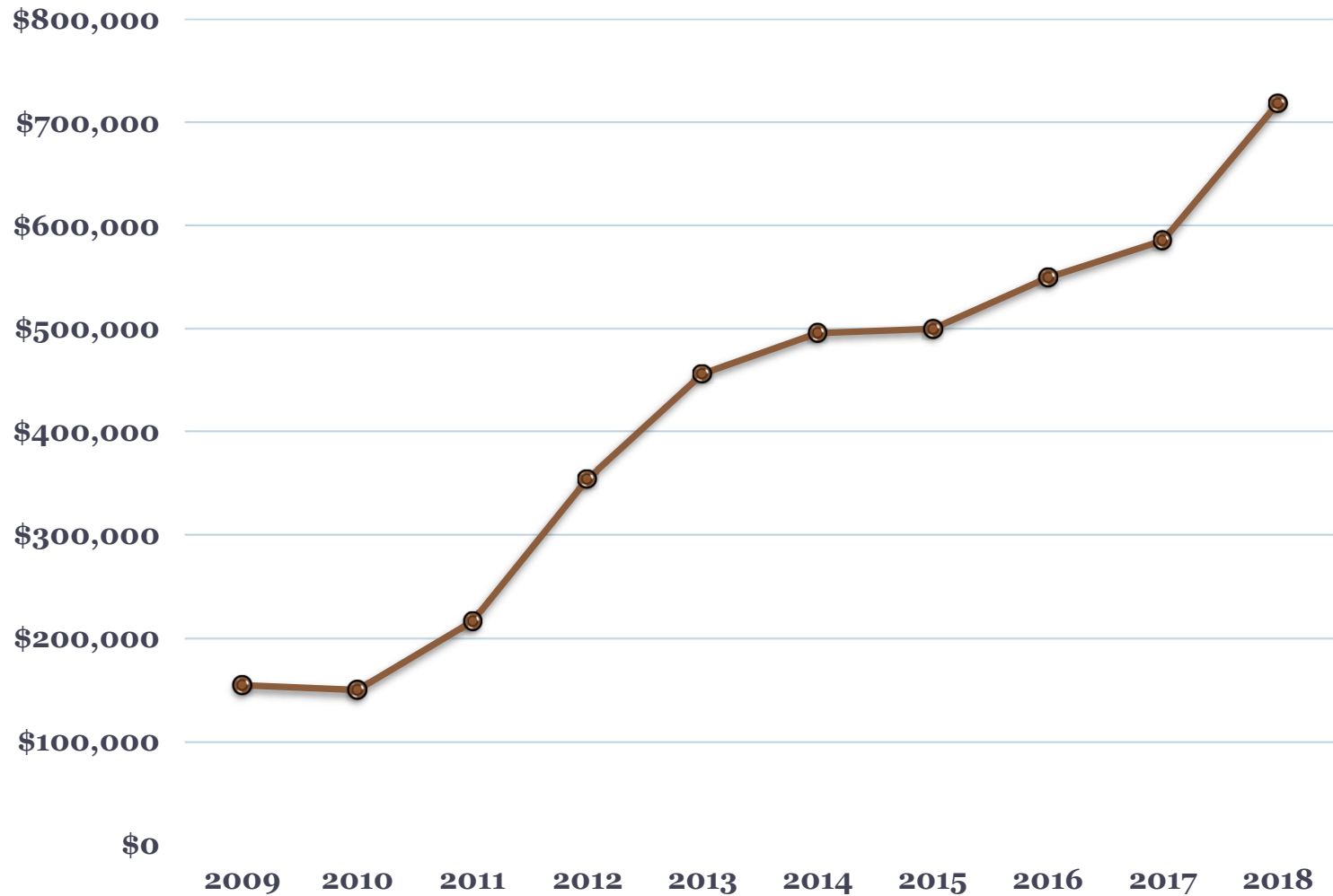
Garbage/Recycling Fund

Garbage/Recycling Fund (in millions)

Operating Revenues	\$ 1.4
Operating Expenditures	<u>- 2.1</u>
Overall deficit	- 0.7

Transfer in from General Fund	<u>0.7</u> 
Change in Fund Balance	\$ -0-

Garbage/Recycling Deficit History



Municipal Facilities & Equipment Fund

Municipal Facilities & Equipment Fund (MFEF)

- The MFEF continues to be a strong asset to the Village.
- Landfill tipping fees are the major revenue source for the MFEF. Total fees for 2018 were \$3.2 million, in-line with budget and \$0.3 million higher than 2017.
- Our current projections go out to the year 2040.
 - The future funds available can eventually be used as an internal revolving loan fund available to the Village for our annual capital budgets.
- During 2018 the General Fund transferred in \$0.2 million in surplus.

Water Utility

Water Utility (Income Stmt Highlights) (in Millions)

	2018	2017	2016
User service charges	\$6.8	\$6.9	\$6.8
Operating expenses (less depreciation, plus PILOT)	5.0	5.0	5.0
Operating income	1.8	1.9	1.8
Net nonoperating revenues (less contributions)	0.6	0.5	0.5
Net income (less depreciation and contributions)	\$2.4	\$2.4	\$2.3

Financial Statement Reconciling Info:

Depreciation expense	\$1.7	\$1.7	\$1.7
Capital contributions	2.5	0.6	0.9

Water Utility (Modified Balance Sheet) (in Millions)

	2018	2017	2016
Cash & equivalents	\$9.6	\$7.3	\$6.4
Tax roll charges	0.2	0.2	0.2
Cash readily available	9.8	7.5	6.6
Accounts payable and accrued liabilities	0.5	0.2	0.2
Outstanding debt (plus accrued interest)	8.3	7.7	7.1
Liabilities available for payment	8.8	7.9	7.3
Net cash / (liabilities)	\$1.0	-\$0.4	-\$0.7

Water Utility (Comments)

- The Water Utility is governed by the Wisconsin Public Service Commission (PSC)
 - Rates were updated as of January 1, 2017 in response to an increase in Milwaukee's wholesale supply rates.
- The Water Utility completed the year with positive results.
 - User charges were 1% lower than in 2017.
 - Overall consumption was 2% lower than 2017.
- There are significant infrastructure projects in the near future, so it's important for the Utility to remain financially healthy.

Water Utility (Major Expenses)

- Around 90% of the Village's water supply comes from Milwaukee.
 - The Water Utility paid \$1.6 million to Milwaukee for water in 2018, consistent with 2017.
- The Utility also paid \$1.3 million in tax equivalent charges to the Village in 2018.
 - This amount is determined based on a PSC formula.

Sewer Utility

Sewer Utility (Income Statement Highlights) (in Millions)

	2018	2017	2016
User service charges	\$9.0	\$8.5	\$8.4
Operating expenses (less depreciation)	9.5	9.3	8.1
Operating Income (Loss)	-0.5	-0.8	0.3
Net nonoperating revenues (less contributions)	0.6	0.6	0.6
Net Income (Loss) (less depreciation and contributions)	\$0.1	-\$0.2	\$0.9

Financial Statement Reconciling Info:

Depreciation expense	\$1.5	\$1.4	\$1.4
Capital contributions	1.6	0.6	2.8

Sewer Utility (Modified Balance Sheet) (in Millions)

	2018	2017	2016
Cash & equivalents	1.2	2.3	\$2.8
Taxes and tax roll charges	0.4	0.3	0.4
Cash readily available	1.6	2.6	3.2
Accounts payable and accrued liabilities	0.1	0.2	0.2
Advance payable	-0-	0.1	0.2
Outstanding debt (plus accrued interest)	1.1	1.3	1.5
Liabilities available for payment	1.2	1.6	1.9
Net cash readily available	\$0.4	\$1.0	\$1.3

Sewer Utility (Comments)

- Despite a 6% rate increase, the Sewer Utility continued to spend down cash reserves
 - A 5% rate increase was implemented as of January 1, 2019
 - The need for additional rate increases is evaluated annually.
- There are no significant infrastructure projects scheduled for the near future, so that helps keep cash demands manageable.
- \$7.8 million was paid to MMSD for contracted services in 2018. Overall total payments to MMSD were \$0.2 million higher compared to 2017.
 - MMSD volume charges increased 9% or \$0.2 million
 - MMSD fixed capital charges remained the same as 2017

Storm Water Utility

Storm Water Utility (Income Stmtnt Highlights) (in Millions)

	2018	2017	2016
Property taxes and permit fees	\$1.0	\$1.0	\$1.0
Operating expenses (less depreciation)	0.6	0.7	0.6
Operating income	0.4	0.3	0.4
Net nonoperating expenses (less contributions)	-0.1	-0.1	-0.1
Net income (less depreciation and contributions)	\$0.3	\$0.2	\$0.3

Financial Statement Reconciling Info:

Depreciation expense	\$0.7	\$0.7	\$0.7
Capital contributions	2.6	0.6	2.2

Storm Utility (Modified Balance Sheet) (in Millions)

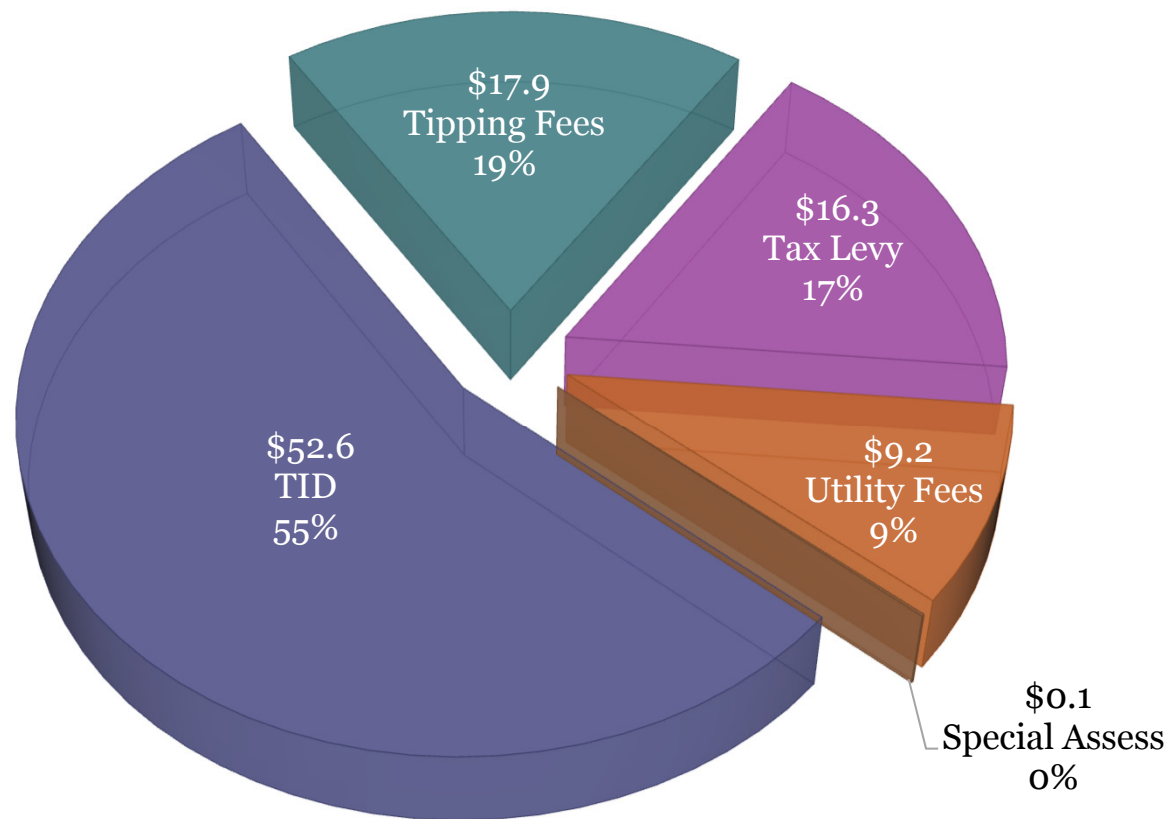
	2018	2017	2016
Cash & equivalents	\$0.6	\$0.6	\$0.8
Taxes	0.9	0.9	0.9
Cash readily available	1.5	1.5	1.7
Accounts payable and accrued liabilities	0.1	0.1	0.1
Advance payable	2.0	1.7	1.4
Outstanding debt (plus accrued interest)	2.1	2.6	3.1
Liabilities available for payment	4.2	4.4	4.6
Liab. covered by future cash flow	\$-2.7	\$-2.9	-\$2.9

Storm Water Utility (Comments)

- The Storm Utility does not pay for its own capital infrastructure
 - Since 2015, new debt for Storm infrastructure has been placed on the general debt levy.
- The Storm Water Utility is handicapped in that it is still supported almost entirely by the tax levy.
 - 2013 Wisconsin ACT 20 deters a switch to a more sustainable fee structure. Although, 2017 Wisconsin ACT 317 now limits the loss incurred when switching to a fee-based structure.
- Infrastructure demands for the near future are significant.
 - With levy limits in place, it is difficult to fund necessary storm water projects in the Village.

Outstanding Debt by Revenue Source

(\$96.1 million)



GO debt rated Aa2 by Moody's

(in millions)