

VILLAGE OF MENOMONEE FALLS 2019 FINANCIAL RESULTS

Summary presentation

by Jason Kaczmarek, CPA
Finance Director



Annual Financial Report



Comprehensive Annual Financial Report (CAFR)

- Report on the financial position of the Village as of 12/31/19 and the results of 2019 operations
 - The overwhelming length of the CAFR (150+ pages) is due to compliance with accounting standards
 - The transmittal (intro) 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)
 - Audited by Reilly, Penner & Benton LLP
- Will be posted to the Village website once available



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

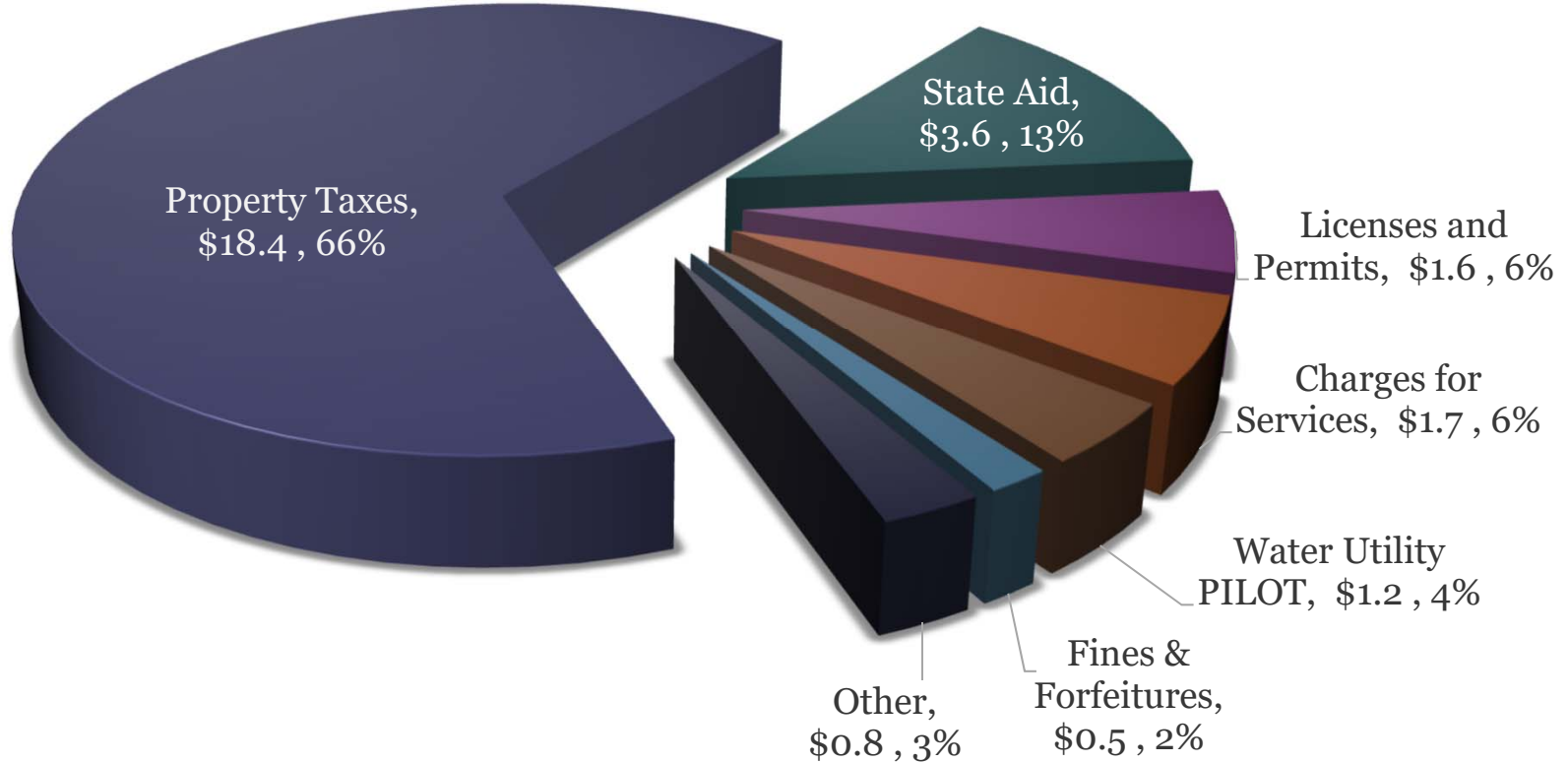


General Fund

- 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

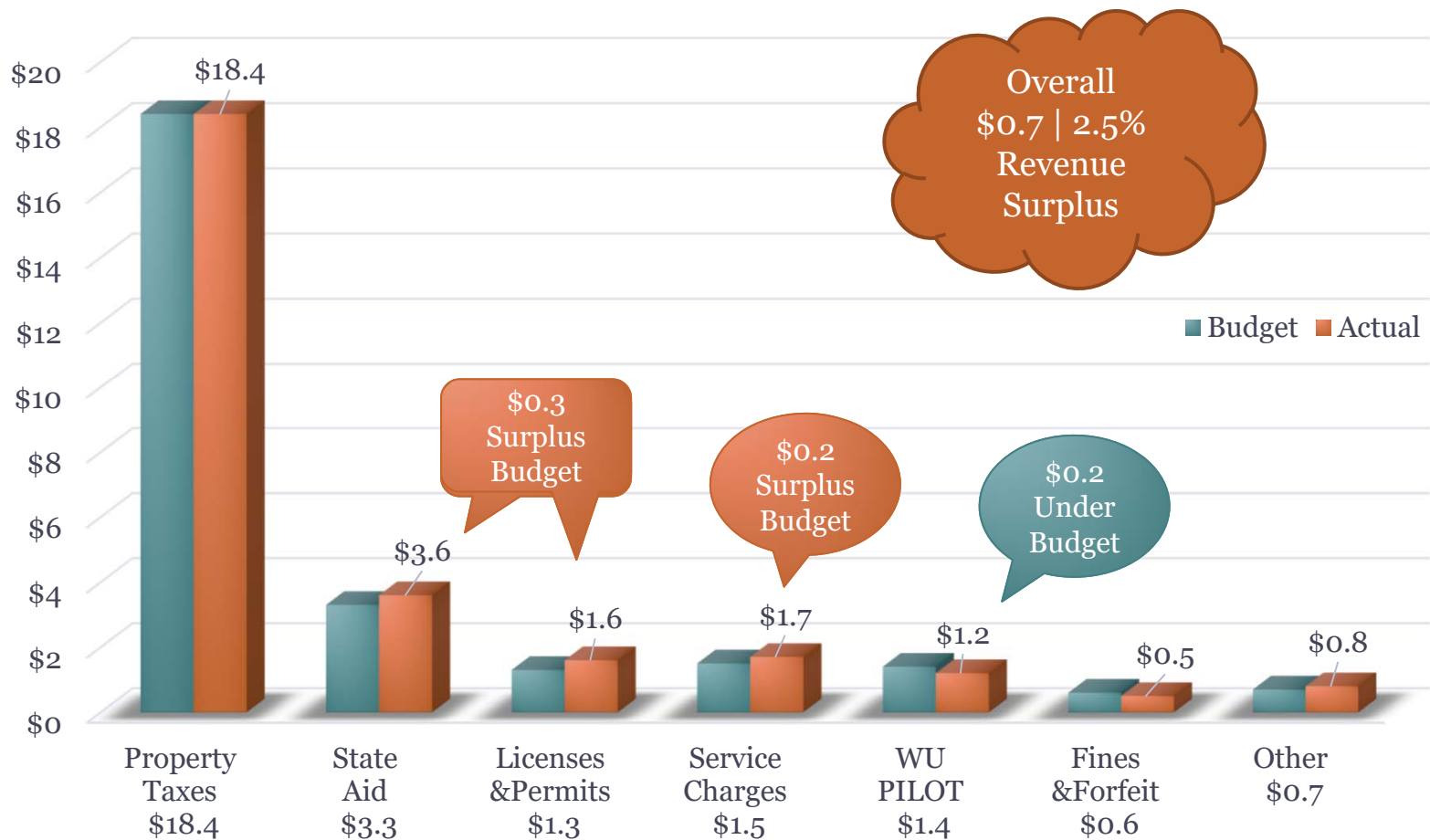
General Fund Revenues (\$28.0 million)

(in millions)



General Fund Revenues (Budget vs Actual)

(in millions)

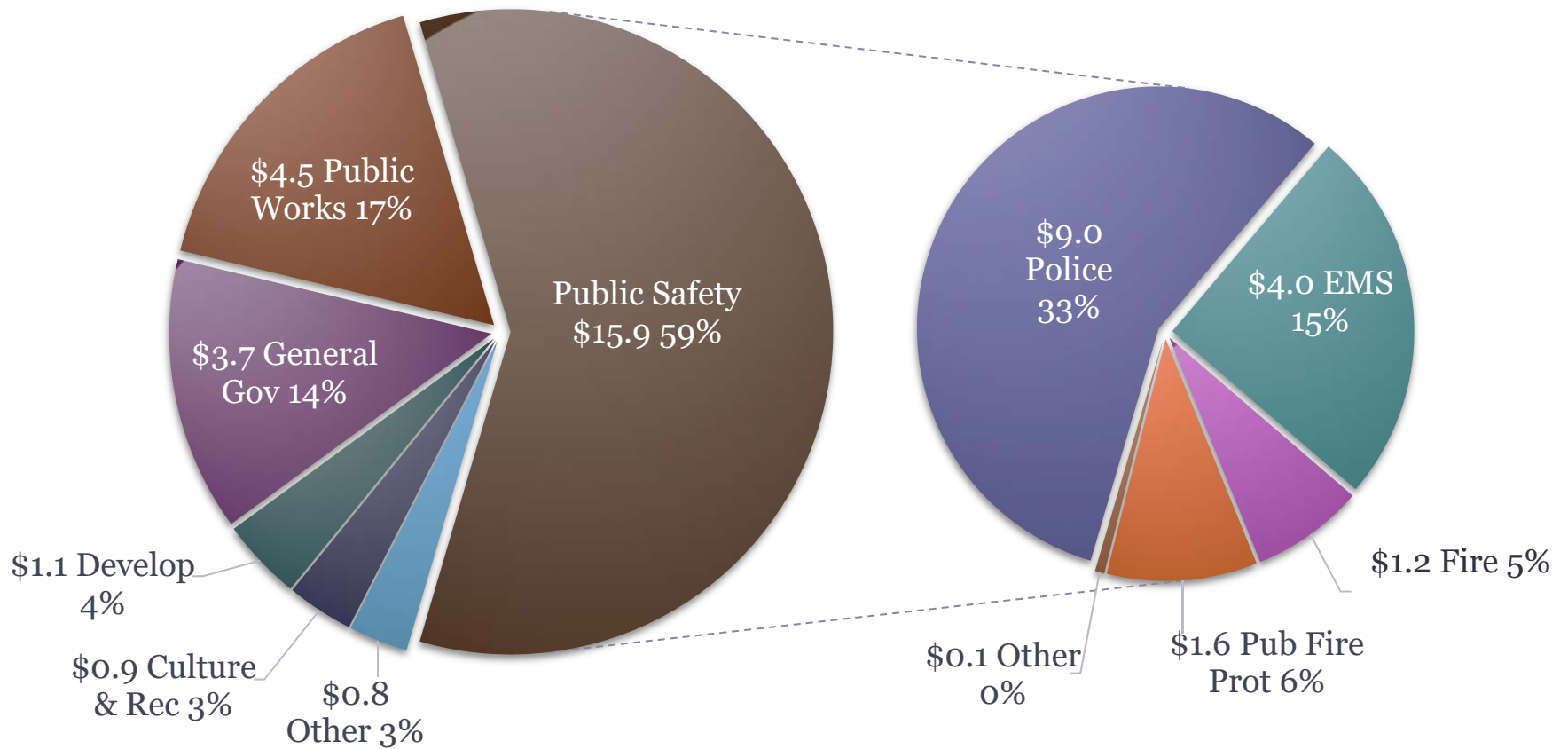


General Fund Revenues (Budget vs Actual)

- Overall, revenues were higher than budget by \$0.7 million.
 - The most significant surpluses include:
 - Local permit revenues - \$0.3 million
 - State Transportation Aid - \$0.3 million
 - Ambulance revenues - \$0.2 million
 - The most significant deficiencies include:
 - Water Utility PILOT - \$0.2 million.
 - Cumulative effect of the decrease in the school district tax rate and assessment ratio

General Fund Expenditures (\$26.9 million)*

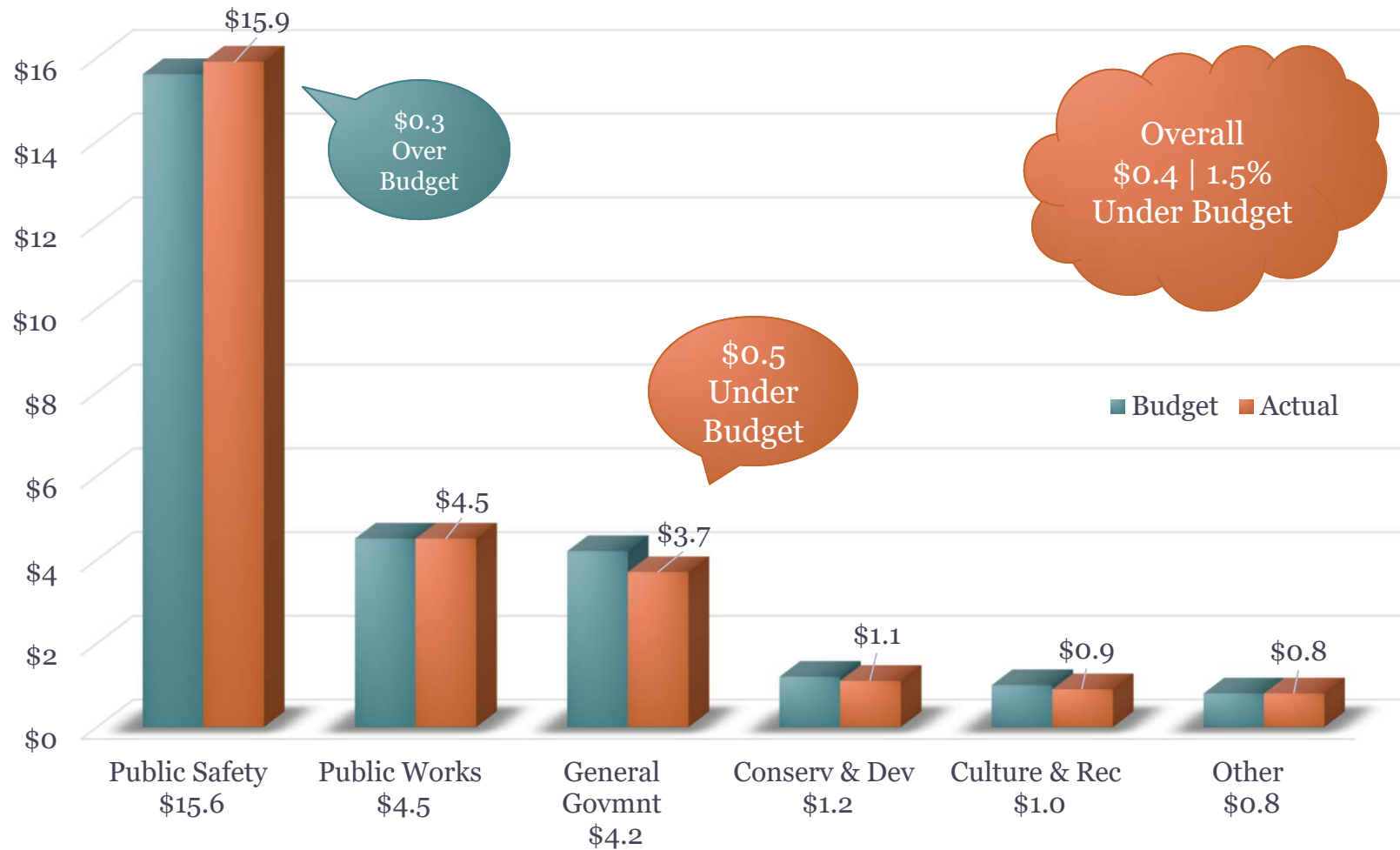
(in millions)



* Does not include the surplus transfer of \$0.9 million

General Fund Expenditures (Budget vs Actual)


(in millions)




General Fund Expenditures (Budget vs Actual)

- Overall, expenditures were under budget by \$0.4 million.
 - The most significant savings occurred in IT - \$0.5 million
 - Assessment software upgrade - \$0.1 million
 - Storage upgrade - \$0.1 million
 - The most significant overages occurred in Fire - \$0.3 million
 - Half of this overage occurred in repairs accounts for vehicles and buildings
 - Overtime was also a factor

General Fund (Surplus) (in Millions)

Revenues	\$28.0	
Expenditures	<u>- 26.9</u>	
Overall surplus (4% of budget)	1.1	
Transfer to Municipal Facilities Fund	<u>- 0.9</u>	
Change in fund balance	\$0.2	

General Fund (Fund Balance) (in Millions)

Fund balance (beginning of year)	\$9.9
Change in fund balance	0.2
Fund balance (December 31, 2019)	\$10.1
↓	
<u>Fund Balance Breakdown</u>	
Nonspendable	\$2.6
Unassigned	7.5
↙	
Monthly expenditures (based on 2020 budget)*	\$2.4
Months of working capital =	3.1 

* Budget figure excludes the \$1.4 million (non-recurring) aerial fire truck purchase

Tax Rate Comparison (2019 tax bills)




Municipality	Size in Acres	Population	Eq Val (billion)	Assd Val (billion)	Asmnt Ratio	Oper Tax Levy (million)	TID Tax Levy (million)	Total Muni Levy (million)	Total Tax Levy (million)	Muni Tax Rate	Overall Tax Rate
City of Pewaukee	12,480	14,371	3.3	2.9	0.8779	9.8	0.0	9.8	47.1	3.35	15.03
Village of Merton	1,920	3,592	0.5	0.4	0.8965	1.4	0.0	1.4	6.3	3.39	12.73
Village of Lannon	1,562	1,143	0.1	0.1	0.8844	0.4	0.0	0.4	2.1	3.40	14.87
Village of Wales	2,099	2,582	0.4	0.4	0.8954	1.3	0.5	1.8	6.4	3.87	15.47
Village of Chenequa	2,266	584	0.5	0.5	1.0072	2.0	0.0	2.0	6.9	3.97	12.53
Village of Oconomowoc Lake	1,267	595	0.4	0.4	1.0119	1.5	0.0	1.5	5.8	4.01	13.87
Village of Nashotah	1,069	1,389	0.2	0.2	0.8728	0.7	0.0	0.7	2.6	4.11	12.87
Village of North Prairie	1,798	2,198	0.3	0.2	0.8704	0.9	0.0	0.9	3.6	4.25	15.25
City of Muskego	20,224	24,882	3.3	3.0	0.9094	13.0	1.8	14.7	49.0	4.47	14.57
Village of Lac La Belle	627	295	0.1	0.1	1.0192	0.5	0.0	0.5	2.0	4.48	14.30
City of Delafield	6,022	7,494	1.6	1.4	0.9049	6.3	0.1	6.4	23.3	4.50	14.49
Village of Hartland	3,277	9,212	1.4	1.4	0.9930	6.2	0.2	6.5	20.0	4.55	12.74
Village of Eagle	851	1,998	0.2	0.2	0.8409	0.8	0.0	0.8	3.2	4.79	17.01
Village of Pewaukee	2,643	8,176	1.1	1.0	0.9562	5.0	0.1	5.0	17.5	4.91	15.47
City of New Berlin	23,322	39,803	5.7	5.3	0.9330	26.6	0.2	26.8	92.9	5.00	15.39
Village of Menomonee Falls	21,120	37,443	5.3	4.9	0.9241	24.6	2.8	27.4	86.4	5.20	15.69
City of Brookfield	17,338	38,016	7.5	7.4	0.9811	39.5	1.8	41.3	129.6	5.42	15.06
City of Oconomowoc	7,386	16,526	2.4	2.1	0.8711	11.9	1.0	12.9	40.2	5.73	17.11
Village of Sussex	4,845	10,765	1.4	1.4	0.9653	7.7	0.7	8.4	24.1	5.76	15.76
Village of Elm Grove	2,093	6,174	1.2	1.2	0.9262	7.2	0.6	7.8	22.3	6.38	17.44
Village of Dousman	1,651	2,317	0.2	0.2	0.8561	1.3	0.0	1.3	3.9	6.79	18.90
Village of Mukwonago	5,056	7,820	0.9	0.9	0.9876	6.3	0.7	6.9	15.2	7.33	16.04
Village of Butler	499	1,820	0.2	0.3	1.0101	2.0	0.0	2.0	4.8	8.09	17.71
Village of Big Bend	1,990	1,316	0.2	0.2	0.9331	1.4	0.0	1.4	3.3	8.29	17.42
City of Waukesha	15,878	72,363	6.7	6.7	0.9948	65.6	6.2	71.8	138.6	10.23	19.28



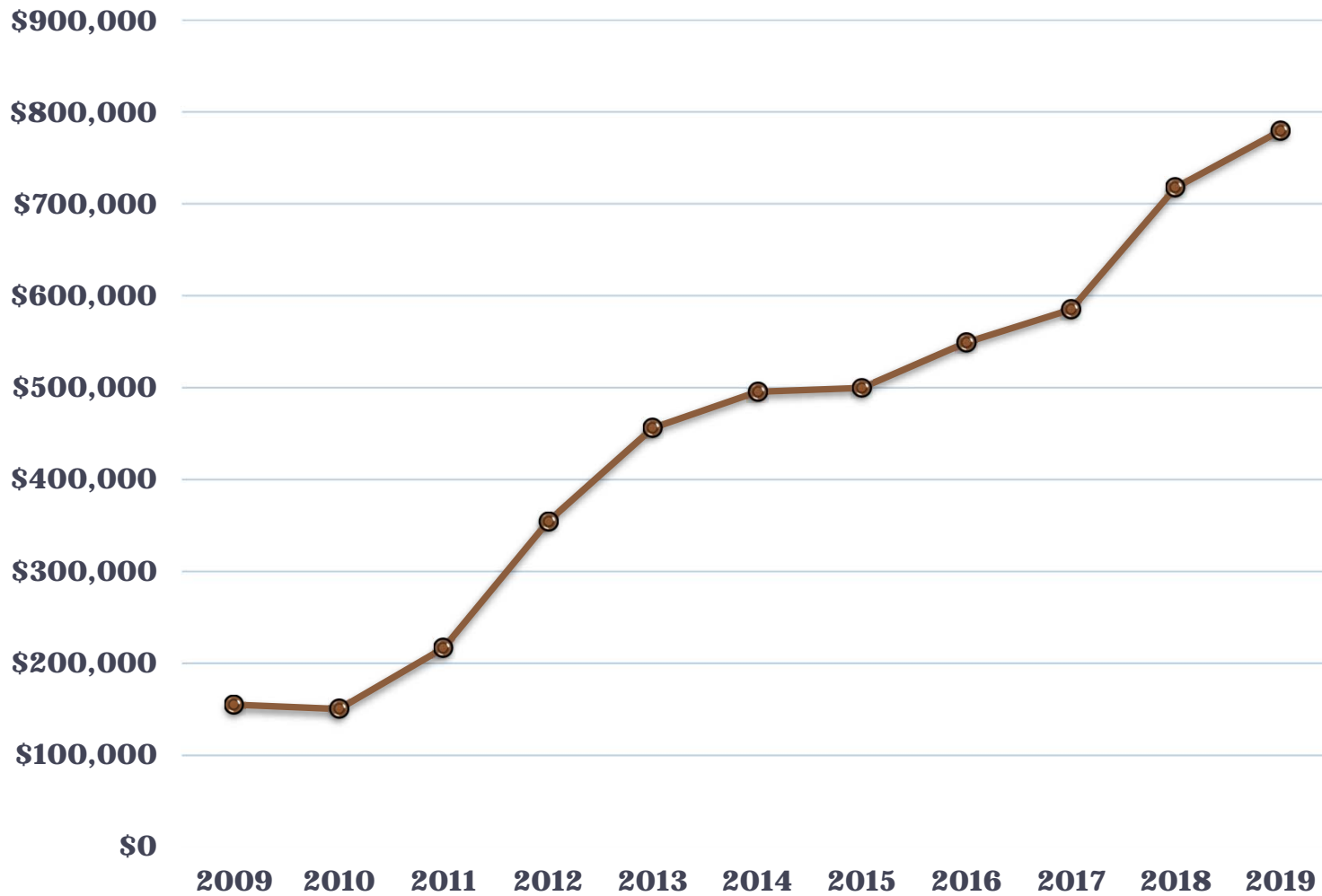
Garbage/Recycling Fund



Garbage/Recycling Fund (in millions)

Operating Revenues	\$ 1.4
Operating Expenditures	<u>- 2.2</u>
Overall deficit	- 0.8
Transfer in from General Fund	<u>0.8</u> 
Change in Fund Balance	\$ -0-

Garbage/Recycling Deficit History





Municipal Facilities & Equipment Fund

Municipal Facilities & Equipment Fund (MFEF)

- Landfill tipping fees are the major revenue source for the MFEF. Total fees for 2019 were \$2.2 million, which is \$1.0 million under the \$3.2 million budgeted.
 - The landfill has not been able to maintain typical volumes during expansion activities.
 - Tipping fees are projected to remain lower through 2021, before returning to normal levels.
- 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 2019 the General Fund transferred in \$0.9 million in surplus.



Water Utility



Water Utility (Income Stmt Highlights) (in Millions)

	2019	2018	2017
User service charges	\$6.9	\$6.8	\$6.9
Operating expenses (less depreciation, plus PILOT)	5.2	5.0	5.0
Operating income	1.7	1.8	1.9
Net nonoperating revenues (less contributions)	0.6	0.6	0.5
Net income (less depreciation and contributions)	\$2.3	\$2.4	\$2.4

Financial Statement Reconciling Info:

Depreciation expense	\$1.8	\$1.7	\$1.7
Capital contributions	1.1	2.5	0.6

Water Utility (Modified Balance Sheet) (in Millions)

	2019	2018	2017
Cash & equivalents	\$7.3	\$9.6	\$7.3
Tax roll charges	0.2	0.2	0.2
Cash readily available	7.5	9.8	7.5
Accounts payable and accrued liabilities	0.2	0.5	0.2
Outstanding debt (plus accrued interest)	8.8	8.3	7.7
Liabilities available for payment	9.0	8.8	7.9
Net cash / (liabilities)	-\$1.5	\$1.0	-\$0.4

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 1.7% higher than in 2018.
 - Overall consumption was 1.0% higher than 2018.
- 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 \$1.7 million to Milwaukee for water in 2019, a \$0.1 million (6%) increase.
- The Utility also paid \$1.2 million in tax equivalent charges to the Village in 2019.
 - This amount is determined based on a PSC formula.



Sewer Utility



Sewer Utility (Income Statement Highlights) (in Millions)

	2019	2018	2017
User service charges	\$9.6	\$9.0	\$8.5
Operating expenses (less depreciation)	9.4	9.5	9.3
Operating Income (Loss)	0.2	-0.5	-0.8
Net nonoperating revenues (less contributions)	0.6	0.6	0.6
Net Income (Loss) (less depreciation and contributions)	\$0.8	\$0.1	-\$0.2

Financial Statement Reconciling Info:

Depreciation expense	\$1.5	\$1.5	\$1.4
Capital contributions	1.2	1.6	0.6

Sewer Utility (Modified Balance Sheet) (in Millions)

	2019	2018	2017
Cash & equivalents	\$2.0	1.2	2.3
Taxes and tax roll charges	0.4	0.4	0.3
Cash readily available	2.4	1.6	2.6
Accounts payable and accrued liabilities	0.5	0.1	0.2
Advance payable	-0-	-0-	0.1
Outstanding debt (plus accrued interest)	1.0	1.1	1.3
Liabilities available for payment	1.5	1.2	1.6
Net cash readily available	\$0.9	\$0.4	\$1.0

Sewer Utility (Comments)

- Cash reserves rebounded after a 5% fee increase in 2019.
 - A 1% rate increase was implemented as of January 1, 2020
 - 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.
- \$7.7 million was paid to MMSD for contracted services in 2019, a slight decrease from 2018.
 - MMSD volume charges increased 3% or \$65K
 - MMSD fixed capital charges decreased 2% or \$135K



Storm Water Utility



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

	2019	2018	2017
Property taxes and permit fees	\$1.0	\$1.0	\$1.0
Operating expenses (less depreciation)	0.7	0.6	0.7
Operating income	0.3	0.4	0.3
Net nonoperating expenses (less contributions)	-0-	-0.1	-0.1
Net income (less depreciation and contributions)	\$0.3	\$0.3	\$0.2

Financial Statement Reconciling Info:

Depreciation expense	\$0.7	\$0.7	\$0.7
Capital contributions	1.4	2.6	0.6

Storm Utility (Modified Balance Sheet) (in Millions)

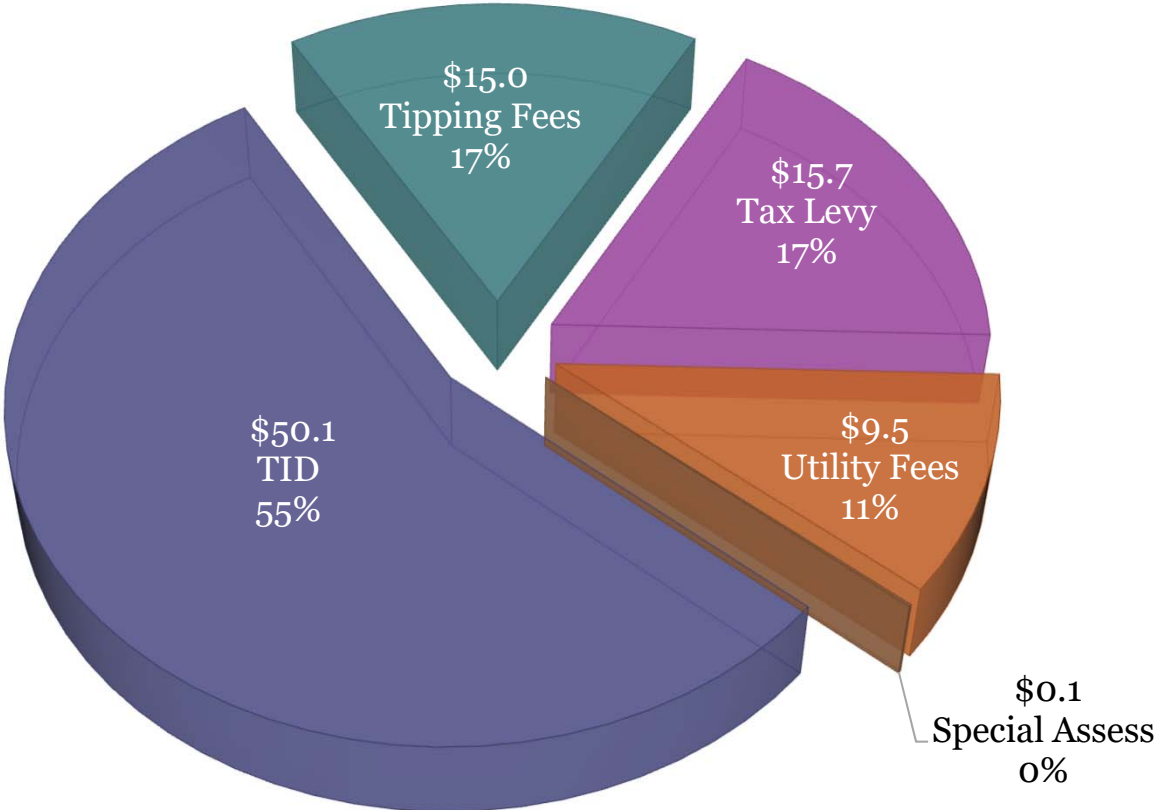
	2019	2018	2017
Cash & equivalents	\$-0-	\$0.6	\$0.6
Taxes	0.9	0.9	0.9
Cash readily available	0.9	1.5	1.5
Accounts payable and accrued liabilities	0.1	0.1	0.1
Advance payable	2.2	2.0	1.7
Outstanding debt (plus accrued interest)	1.5	2.1	2.6
Liabilities available for payment	3.8	4.2	4.4
Liab. covered by future cash flow	\$-2.9	\$-2.7	\$-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

(\$90.4 million)



GO debt rated Aa2 by Moody's

(in millions)