

VILLAGE OF MENOMONEE FALLS 2015 FINANCIAL RESULTS

Summary presentation

by Jason Kaczmarek, CPA
Finance Director



Comprehensive Annual Financial Report (CAFR)

CAFR

- Report on the financial position of the Village as of 12/31/15 and the results of 2015 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
 - Reilly, Penner & Benton LLP audited the 2015 CAFR

CAFR (Major Components)

- Contents summary:

- Transmittal Letter (Village profile and policies)
- Independent Auditor's Report
- Management's Discussion & Analysis (MD&A)
 - CAFR summary
- Financial Statements (part 1 of 2)
- Notes supporting the Financial Statements
- Financial Statements (part 2 of 2)
- Statistical information

What are Funds?

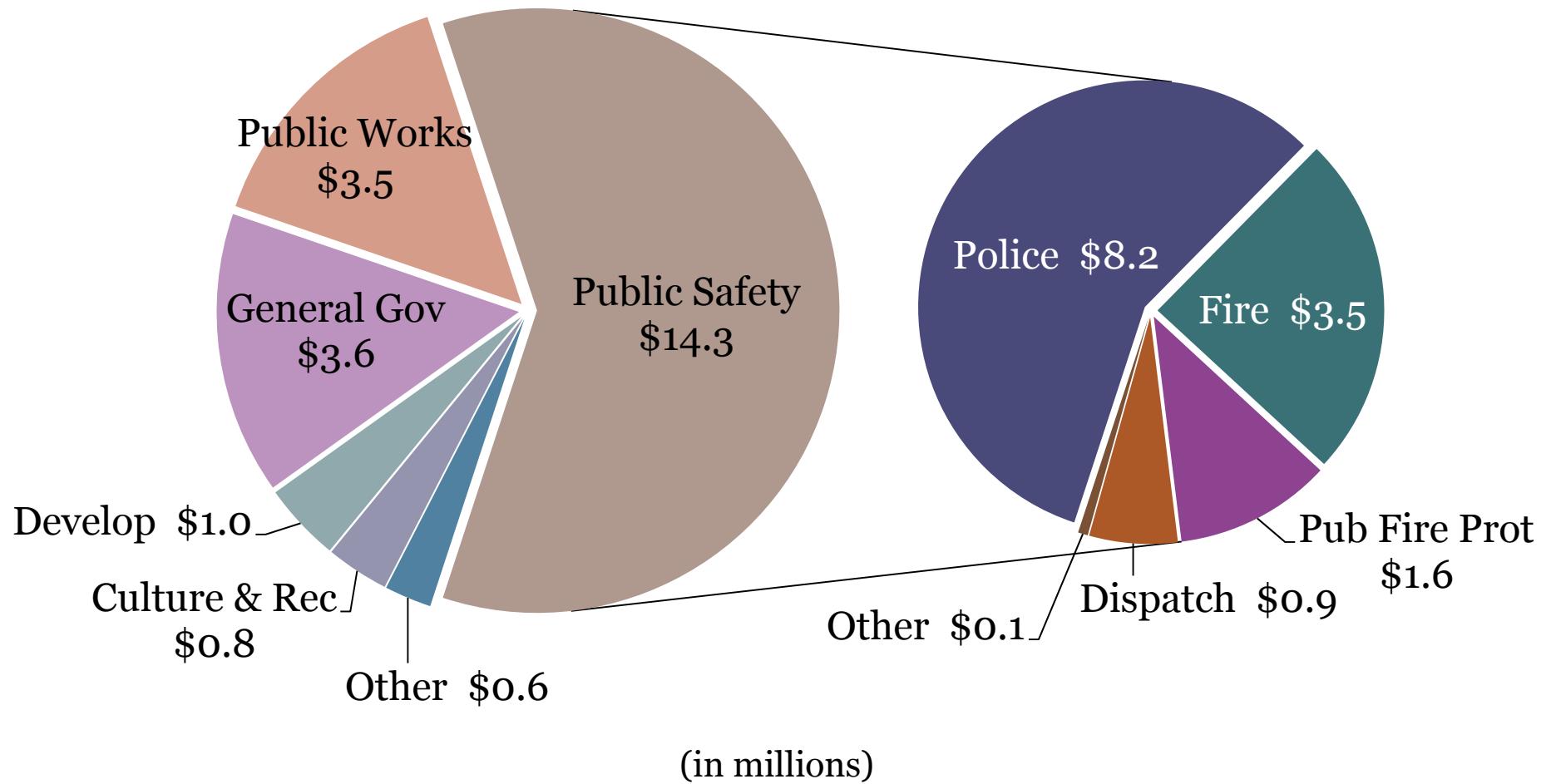
- In simple terms, funds are like separate entities, with each tracking a separate type of activity.
 - Some Funds are mandatory (such as the General Fund)
 - Others are discretionary (such as the Solid Waste Fund)
 - By tracking activities in separate funds, we can more easily see the financial benefit or burden an activity is providing.
- 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
 - The Storm Water Utility is setup as a proprietary fund; however, this is currently supported by the tax levy.
 - 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 including:
 - Public Safety (**Police, Fire, EMS, Dispatch**)
 - Public Works (Equipment and **Street Maintenance**)
 - Culture & Recreation (**Parks, Old Falls Village**)
 - Development (**Community Dev, Planning, Engineering**)
 - General Government (i.e. supportive services)
 - Village Manager, Attorney, Court, Clerk Services, Human Resources, Building Maintenance, Financial Services, IT

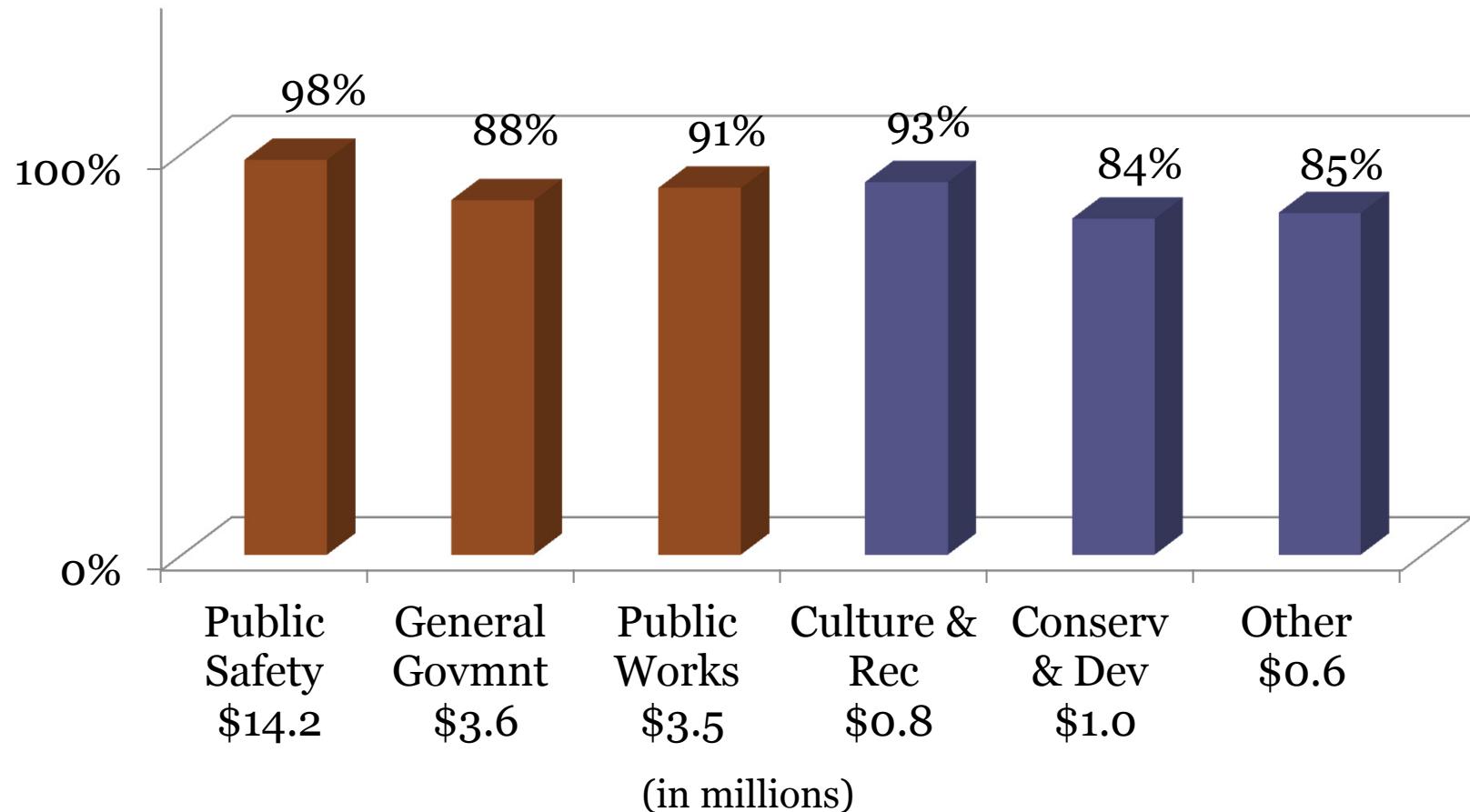
General Operating Expenditures (\$23.6 million)



General Operating Expenditures (Budget vs Actual)

Percent of Budget Used

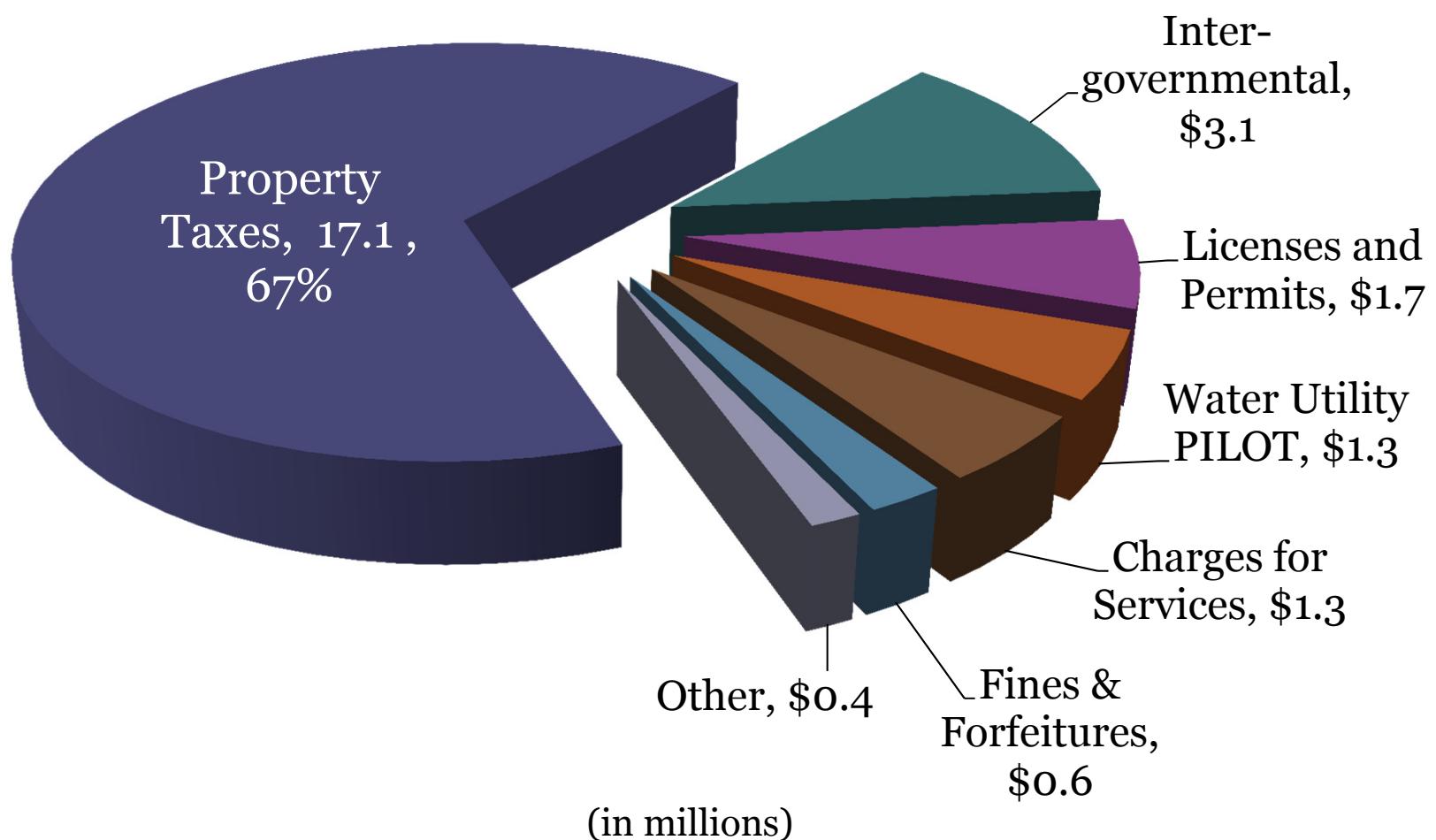
(Additional details provided on next slide)



General Operating Expenditures (Budget vs Actual)

- Overall, expenditures were under budget by 5.5% or \$1.3 million. The most significant savings realized from:
 - A higher focus of engineering time on billable developer projects
 - Savings on fuel and heating costs due to the drop in oil prices
 - Delayed IT projects
 - Reduction in the Public Fire Protection fee

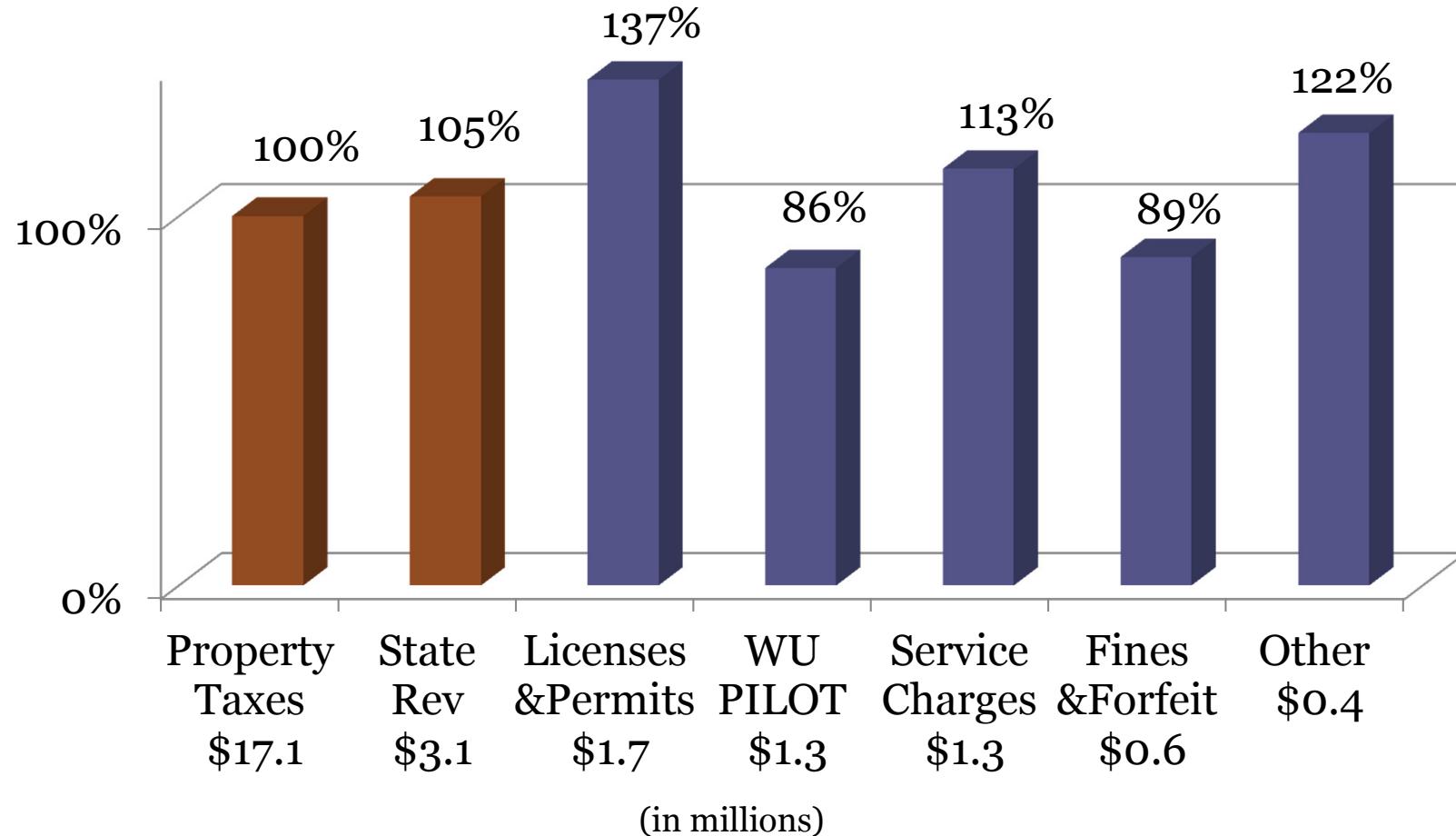
General Operating Revenues (\$25.5 million)



General Operating Revenues (Budget vs Actual)

Percent of Budget Attained

(Additional details provided on next slide)



General Operating Revenues (Budget vs Actual)

- Overall, revenues were greater than budget by 2.3% or \$0.6 million.
- The most significant surpluses were a result of:
 - Sharp increase in permit revenues
 - Greater ambulance billings than expected
 - Timing of road aid payments (double in 2015)
- The most significant deficit was a result of:
 - Reduction in the PILOT due to the reduced WCTC tax rate

General Non-Operating Transactions

- In 2015 the former Kohl's Distribution Center building was sold.
 - Net proceeds of \$6.8 million were deposited in the General Fund and subsequently transferred to the Capital Project Fund as approved by Resolution 1092-R-15.
- Per standard practice, the General Fund surplus of \$1.8 million was transferred to the Municipal Facilities & Equipment Fund for future capital purchases and projects.

General Fund (Surplus)

Operating Revenues	\$25,455,784
Operating Expenditures	- 23,620,480
Net Non-Operating Revenues	<u>8,558</u>
Overall surplus (7% of budget)	1,843,862

Transfer to 605 Municipal Facilities Fund	<u>- 1,843,862</u>
→ Change in fund balance	-0-

General Fund (Fund Balance) (in Millions)

Fund balance (beginning of year)	\$9.6
Change in fund balance	-0-
Fund balance (December 31, 2015)	\$9.6

Fund Balance Breakdown

Nonspendable	\$2.2
Unassigned	7.4

Monthly expenditures (based on 2016 budget) \$2.1

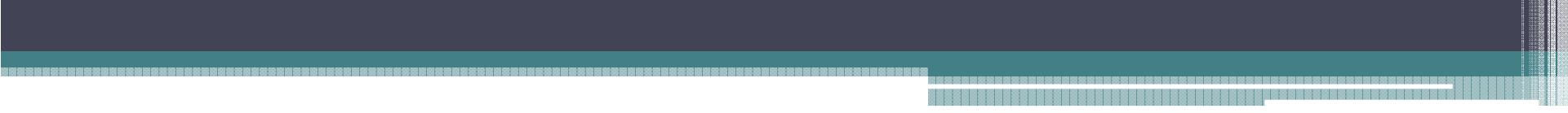
Months of working capital =

3.5



Tax Rate Comparison

Municipality	Size in Acres	Population	Eq Val (billion)	Assd Val (billion)	Asmnt Ratio	2015 Oper Tax Levy (million)	2015 TID Tax Levy (million)	2015 Total Muni Levy (million)	2015 Total Tax Levy (million)	↓ Muni Tax Rate	Overall Tax Rate
City of Pewaukee	12,480	13,195	2.8	2.7	0.9670	8.3	0.0	8.3	43.6	3.06	14.97
Village of Merton	1,920	3,353	0.4	0.4	1.0149	1.2	0.0	1.2	6.2	3.09	13.69
Village of Wales	2,099	2,549	0.4	0.3	0.9960	1.2	0.2	1.4	5.9	3.61	15.11
Village of North Prairie	1,798	2,141	0.2	0.2	0.9359	0.8	0.0	0.8	3.4	3.94	15.46
Village of Nashotah	1,069	1,395	0.2	0.2	0.9945	0.7	0.0	0.7	2.6	4.08	13.38
Village of Lannon	1,562	1,107	0.1	0.1	1.0228	0.5	0.0	0.5	1.9	4.14	15.65
Village of Oconomowoc Lake	1,267	595	0.3	0.3	1.0283	1.4	0.0	1.4	5.4	4.26	14.86
City of Delafield	6,022	7,085	1.4	1.3	0.9886	6.0	0.1	6.1	22.7	4.48	14.97
Village of Lac La Belle	627	290	0.1	0.1	0.9995	0.5	0.0	0.5	1.9	4.54	15.65
Village of Hartland	3,277	9,110	1.2	1.2	0.9839	5.4	0.0	5.4	20.9	4.58	16.56
Village of Chenequa	2,266	590	0.4	0.4	0.9958	2.1	0.0	2.1	7.4	4.74	15.34
Village of Eagle	851	1,950	0.2	0.2	0.9856	0.7	0.0	0.7	2.9	4.79	16.84
City of Muskego	20,224	24,135	2.7	2.6	0.9558	12.3	1.3	13.6	47.6	4.89	16.46
Village of Menomonee Falls	21,120	35,626	4.6	4.6	0.9998	22.6	4.7	27.3	86.9	5.20	16.52
City of New Berlin	23,322	39,584	4.8	4.8	0.9907	25.0	0.0	25.0	91.2	5.24	17.24
Village of Sussex	4,845	10,518	1.2	1.2	0.9807	6.3	0.2	6.5	21.3	5.30	16.62
City of Oconomowoc	7,386	15,759	1.9	1.9	1.0017	10.3	0.3	10.5	34.6	5.37	16.29
Village of Pewaukee	2,643	8,166	0.9	0.9	0.9442	4.8	0.0	4.8	17.1	5.47	17.39
City of Brookfield	17,338	37,920	6.5	6.7	1.0307	36.7	1.6	38.3	118.8	5.58	15.34
Village of Dousman	1,651	2,302	0.2	0.2	1.0038	1.1	0.0	1.1	3.5	6.31	17.74
Village of Elm Grove	2,093	5,934	1.1	1.1	0.9967	6.7	0.5	7.2	20.5	6.41	17.40
Village of Big Bend	1,990	1,290	0.1	0.2	1.0252	1.0	0.0	1.0	2.6	6.43	15.92
Village of Mukwonago	5,056	7,355	0.7	0.7	0.9614	5.4	0.7	6.1	14.0	8.08	18.27
Village of Butler	499	1,841	0.2	0.2	0.9784	1.8	0.5	2.3	5.1	8.22	20.01
City of Waukesha	15,878	70,718	5.7	5.6	0.9951	56.2	4.6	60.8	124.5	10.35	20.53



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. These fees were \$0.2 million higher than estimated, totaling \$3 million for 2015.
- Our current projections go out to the year 2033, and show an estimated cash balance of over \$30 million.
 - The future funds available will eventually be used as an internal revolving loan fund available to the Village for our annual capital budget.
- During 2015 the General Fund transferred in \$1.8 million in surplus.

Water Utility

Water Utility (Modified Balance Sheet) (in Millions)

	2015	2014	2013
Cash & equivalents	\$5.5	\$3.8	\$2.9
Tax roll charges	0.2	0.2	0.2
Cash readily available	5.7	4.0	3.1
Accounts payable and accrued liabilities	0.6	0.4	0.5
Outstanding debt (plus accrued interest)	6.5	6.0	5.6
Liabilities available for payment	7.1	6.4	6.1
Liab. covered by future cash flow	-\$1.4	-\$2.4	-\$3.0

Water Utility (Income Stmt Highlights) (in Millions)

	2015	2014	2013
User service charges	\$6.8	\$6.5	\$6.6
Operating expenses (less depreciation)	4.9	4.9	4.9
Operating income	1.9	1.6	1.7
Net nonoperating revenues (w/o non-cash items)	0.6	0.2	-0.1
Net income (w/o depreciation or contributions)	\$2.5	\$1.8	\$1.6

Financial Statement Reconciling Info:

Depreciation expense	\$1.6	\$1.6	\$1.6
Capital contributions	0.6	2.2	0.2

Water Utility (Comments)

- The Water Utility is governed by the Wisconsin Public Service Commission (PSC)
 - There were no rate increases in 2015.
- The Water Utility completed the year with positive results.
 - User charges increased by \$0.3 million or 5%.
 - There was a slight increase in overall consumption for 2015.
- 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 2015; an increase of 5% from 2014.
 - In addition to a slight increase in consumption, the Village paid more for water in 2015 due to the effect of wholesale rate increases.
- The Utility also paid \$1.3 million in tax equivalent charges to the Village in 2015.
 - This amount is determined based on a PSC formula.



Sewer Utility

Sewer Utility (Modified Balance Sheet) (in Millions)

	2015	2014	2013
Cash & equivalents	\$3.9	\$4.5	\$4.7
Taxes and tax roll charges	0.3	0.7	0.7
Cash readily available	4.2	5.2	5.4
Accounts payable and accrued liabilities	0.7	1.1	0.6
Advance payable	0.3	0.4	0.4
Outstanding debt (plus accrued interest)	1.7	1.9	2.2
Liabilities available for payment	2.7	3.4	3.2
Net cash readily available	\$1.5	\$1.8	\$2.2

Sewer Utility (Income Statement Highlights) (in Millions)

	2015	2014	2013
User service charges	\$8.3	\$8.1	\$8.2
Operating expenses (less depreciation)	8.9	8.8	8.7
Operating Income (Loss)	-0.6	-0.7	-0.5
Net nonoperating revenues	0.9	0.6	0.4
Net Income (Loss) (w/o depreciation or contributions)	\$0.3	-0.1	-0.1

Financial Statement Reconciling Info:

Depreciation expense	\$1.3	\$1.3	\$1.3
Capital contributions	0.5	1.2	0.1

Sewer Utility (Comments)

- The Sewer Utility continues to operate at a financial loss.
 - An increase in rates may be required. A rate study will determine the need/extent of any rate increase.
 - The last rate change was actually a reduction back in 2010.
- There are no significant infrastructure projects scheduled for the near future, so that helps keep cash demands manageable.
- A little over \$7.1 million was paid to MMSD for contracted services in 2015. Overall total payments to MMSD were flat when compared to 2014. Increases in MMSD costs will likely be the driving factor behind potential future rate increases.
 - MMSD volume charges increased 7% or \$120K
 - MMSD fixed capital charges decreased 2% or \$120K



Storm Water Utility

Storm Utility (Modified Balance Sheet) (in Millions)

	2015	2014	2013
Cash & equivalents	\$0.9	\$0.8	\$2.0
Taxes	0.9	0.9	0.9
Cash readily available	1.8	1.7	2.9
Accounts payable and accrued liabilities	0.2	0.1	0.1
Advance payable	1.0	-0-	-0-
Outstanding debt (plus accrued interest)	3.6	4.0	4.4
Liabilities available for payment	4.8	4.1	4.5
Liab. covered by future cash flow	-\$3.0	-\$2.4	-\$1.6

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

	2015	2014	2013
Property taxes and permit fees	\$1.0	\$1.0	\$1.0
Operating expenses (less depreciation)	0.7	0.6	0.6
Operating income	0.3	0.4	0.4
Net nonoperating expenses (w/o non-cash items)	-0.1	-0.1	-0.1
Net income (w/o depreciation or contributions)	\$0.2	0.3	0.3

Financial Statement Reconciling Info:

Depreciation expense	\$0.6	\$0.6	\$0.6
Capital contributions	0.6	1.4	1.1

Storm Water Utility (Comments)

- Expenses continue to exceed revenues in the Storm Utility.
 - Increases in the levy or a shifting of costs to the General Fund will need to be considered for the 2017 budget.
- 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.
- Infrastructure demands for the near future are significant.
 - With levy limits in place, it may get difficult to fund necessary storm water projects in the Village.