

# VILLAGE OF MENOMONEE FALLS 2017 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 12/31/17 and the results of 2017 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 2017 CAFR

# Major Report Components

- Contents summary:
  - Transmittal Letter (Village profile and policies)
  - Independent Auditor's Report
  - Management's Discussion & Analysis (MD&A)
    - Overall financial 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
  - 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



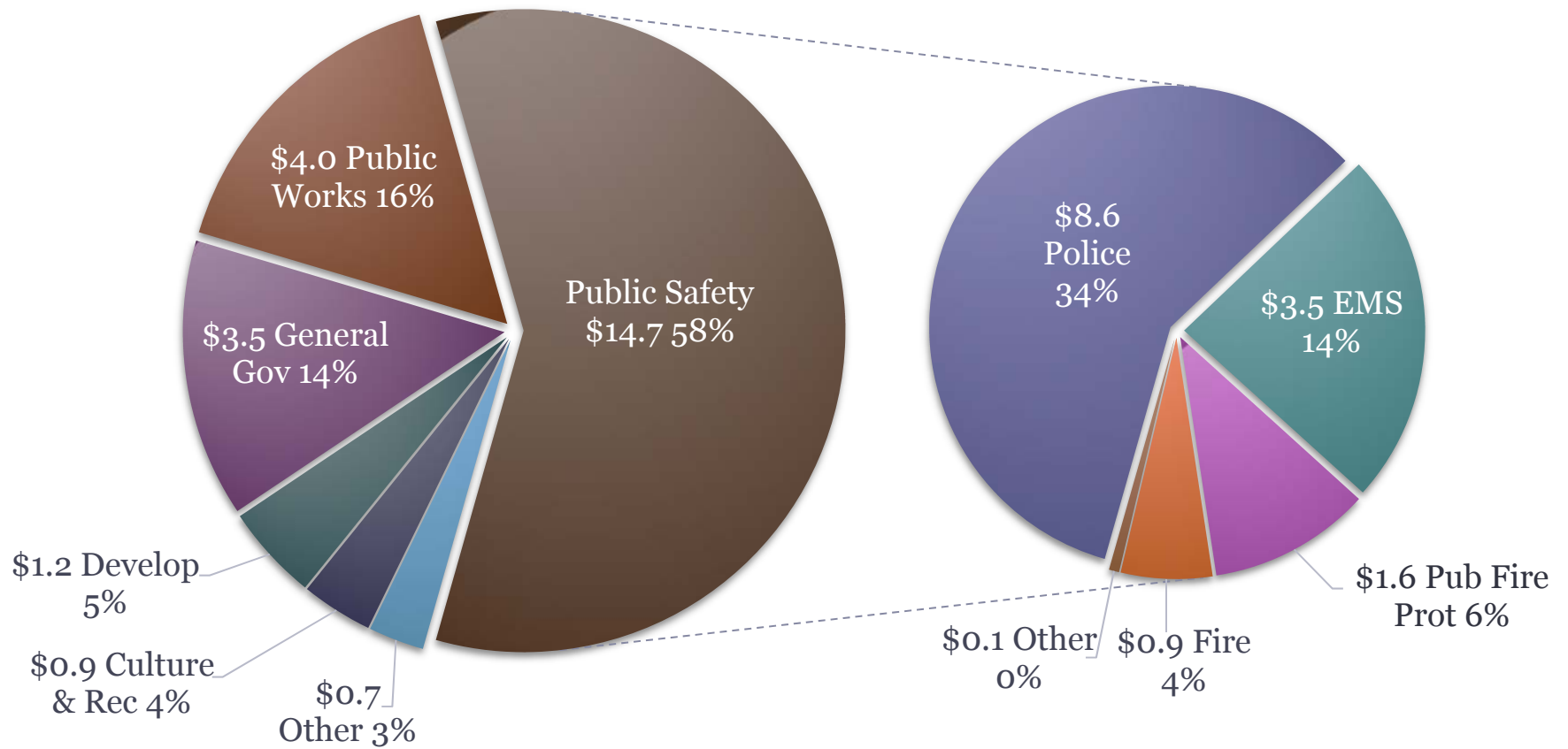
# General Fund



# General Fund

- The main operating fund of the Village including:
  - Public Safety (**Police, Fire**, EMS)
  - Public Works (Equipment and **Right-of-Way Maintenance**)
  - 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 Operating Expenditures (\$24.9 million)

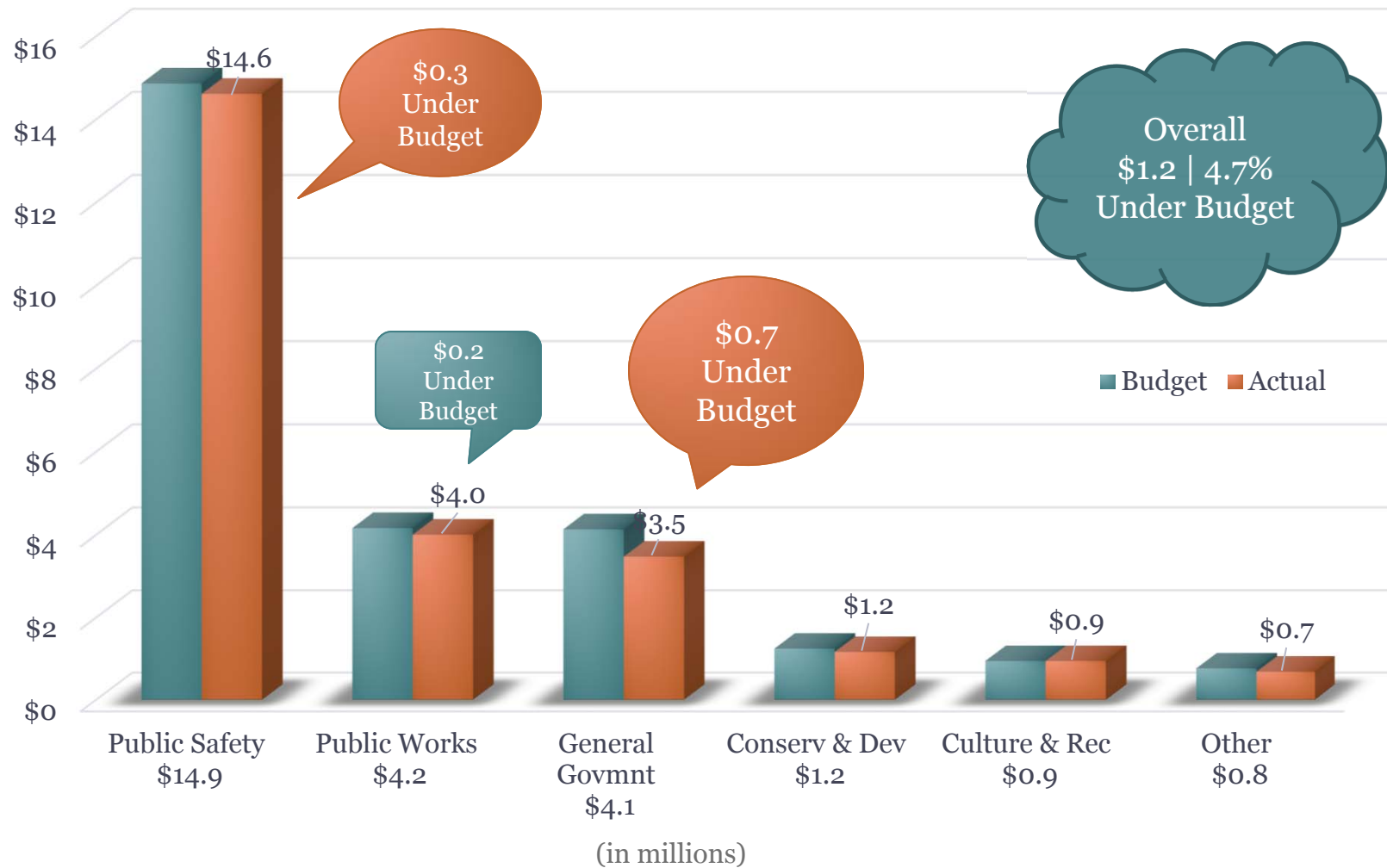


(in millions)



# General Operating Expenditures (Budget vs Actual)

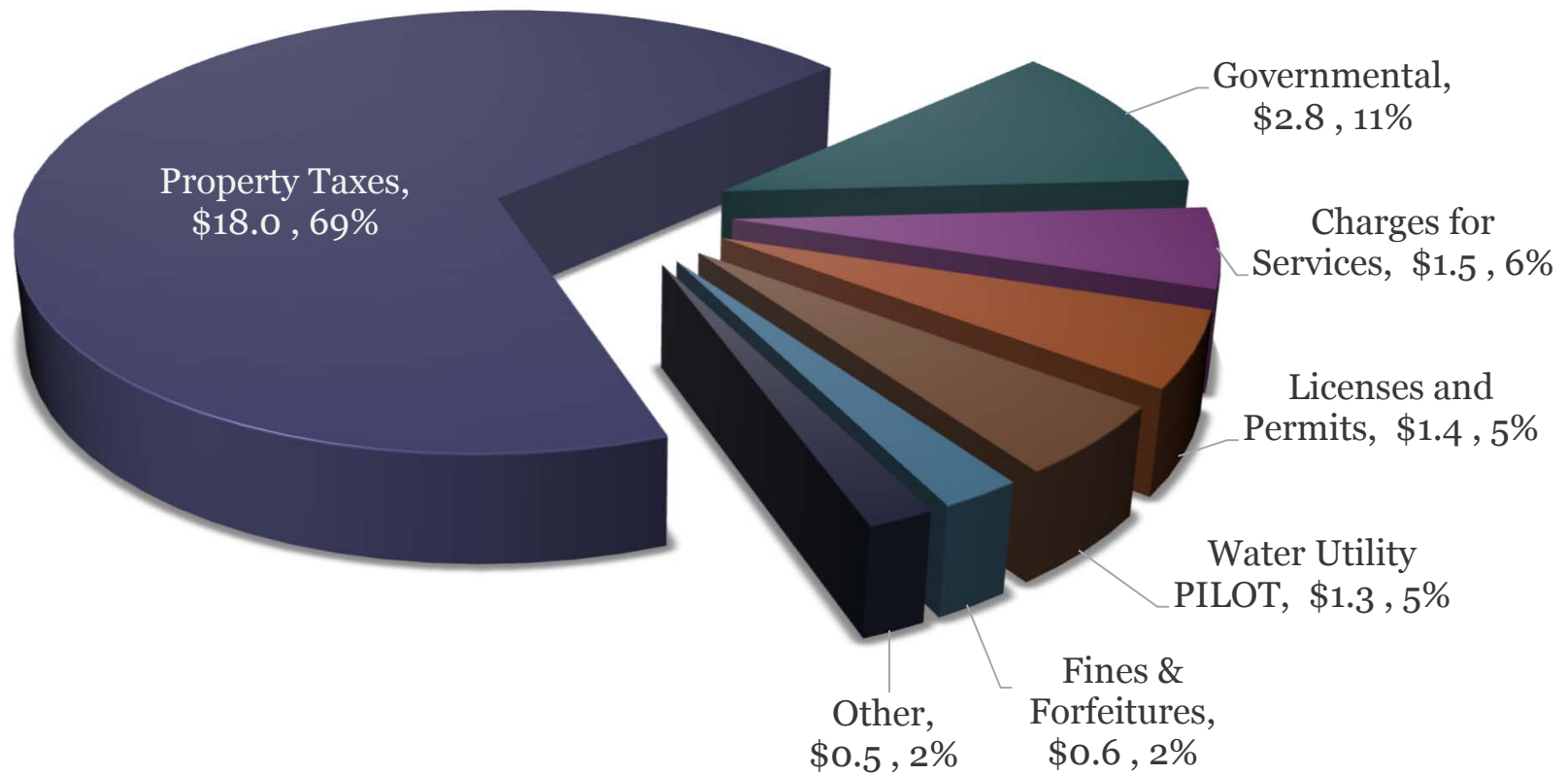
(Additional details provided on next slide)



## General Operating Expenditures (Budget vs Actual)

- Overall, expenditures were under budget by 4.7% or \$1.2 million. The most significant savings were realized from:
  - Delayed IT projects - \$0.5 million
    - Accounting system upgrade, payroll system, paperless system
  - Police Department turnover - \$0.3 million
  - Greater than expected Engineering billable hours - \$0.2 million

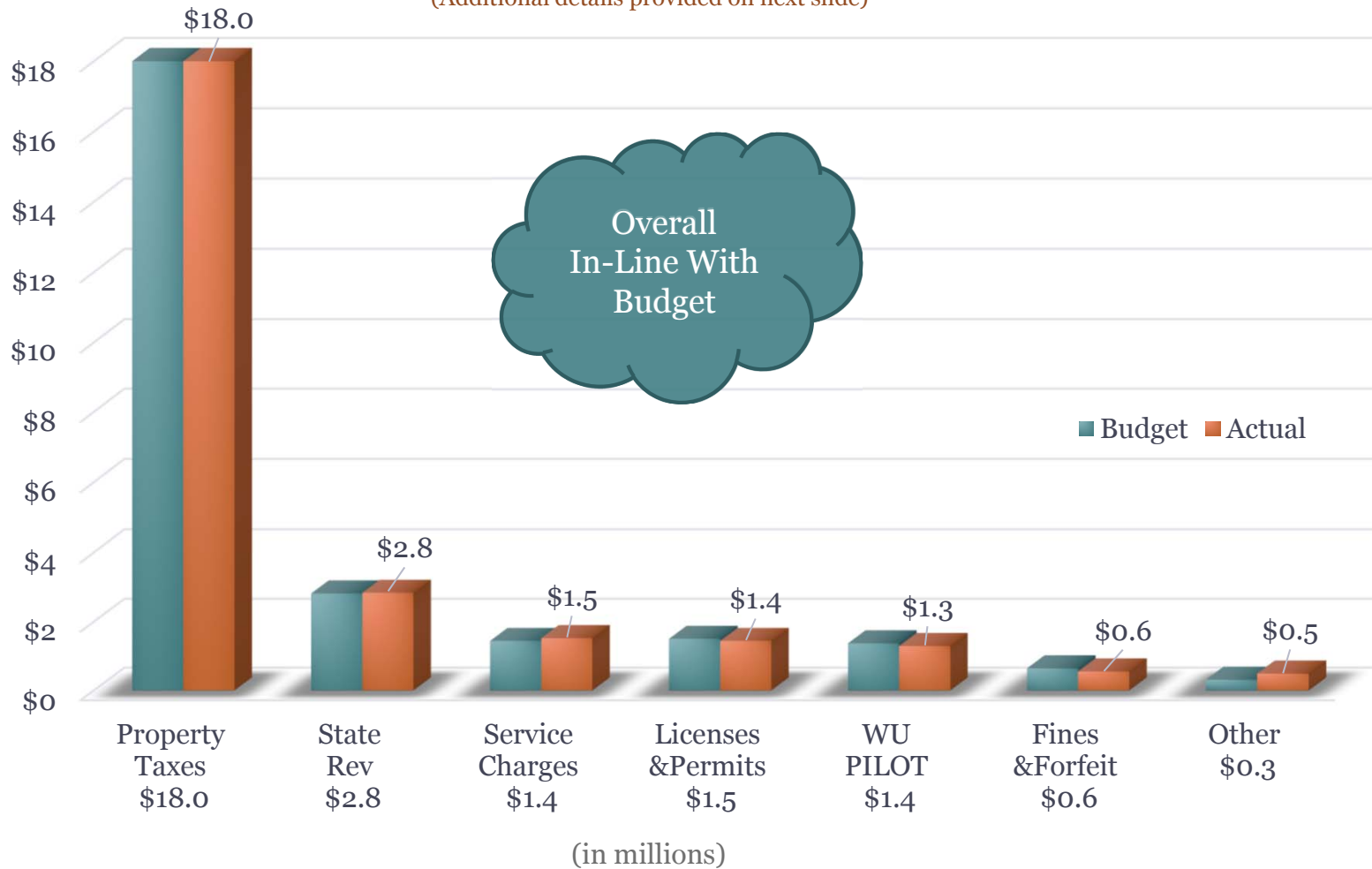
# General Operating Revenues (\$26.1 million)



(in millions)


# General Operating Revenues (Budget vs Actual)

(Additional details provided on next slide)







## General Operating Revenues (Budget vs Actual)

- Overall, revenues were in-line with budget.
  - Together, property taxes and State aid accounts for 80% of General Fund revenues
    - These revenues are determined prior to finalizing the budget
- 

## General Fund (Surplus) (in Millions)

Revenues	\$26.1	
Expenditures	- 25.0	
<b>Overall surplus</b> (5% of budget)	<b>1.3</b>	
Payoff WRS pension advance	- 0.4	
Transfer to Municipal Facilities Fund	- 0.9	
<b>Change in fund balance</b>	<b>\$-0-</b>	

## General Fund (Fund Balance) (in Millions)

Fund balance (beginning of year)	\$9.7
Change in fund balance	-0-
<b>Fund balance (December 31, 2017)</b>	<b>\$9.7</b>
↓	
<u>Fund Balance Breakdown</u>	
Nonspendable	\$2.7
<b>Unassigned</b>	<b>7.0</b>
↙	
Monthly expenditures (based on 2018 budget)	\$2.3
<b>Months of working capital =</b>	<b>3.1</b> 

# Tax Rate Comparison



Municipality	Size in Acres	Population	Eq Val (billion)	Assd Val (billion)	Asmnt Ratio	2017 Oper Tax Levy (million)	2017 TID Tax Levy (million)	2017 Total Muni Levy (million)	2017 Total Tax Levy (million)	Muni Tax Rate	Overall Tax Rate
City of Pewaukee	12,480	14,371	3.0	2.8	0.9494	9.1	0.0	9.1	43.7	3.19	14.28
Village of Merton	1,920	3,592	0.4	0.4	0.9678	1.3	0.0	1.3	6.3	3.22	13.06
Village of Lannon	1,562	1,107	0.1	0.1	0.9641	0.4	0.0	0.4	1.9	3.24	14.53
Village of Wales	2,099	2,549	0.4	0.4	0.9489	1.3	0.5	1.7	6.3	3.69	15.17
Village of North Prairie	1,798	2,198	0.2	0.2	0.8945	0.8	0.0	0.8	3.5	3.92	15.27
Village of Chenequa	2,266	584	0.5	0.5	1.0063	1.9	0.0	1.9	7.1	4.10	13.51
Village of Nashotah	1,069	1,389	0.2	0.2	0.9146	0.7	0.0	0.7	2.6	4.13	13.17
Village of Oconomowoc Lake	1,267	595	0.4	0.3	0.9882	1.5	0.0	1.5	5.7	4.20	14.76
City of Delafield	6,022	7,494	1.4	1.4	0.9796	6.0	0.1	6.1	22.4	4.35	14.02
City of Muskego	20,224	24,882	3.0	2.9	0.9914	12.6	1.2	13.8	47.9	4.41	14.52
Village of Hartland	3,277	9,110	1.3	1.2	0.9438	5.8	0.1	5.9	20.7	4.78	15.21
Village of Eagle	851	1,998	0.2	0.2	0.9332	0.8	0.0	0.8	3.0	4.79	16.84
Village of Lac La Belle	627	295	0.1	0.1	1.0087	0.5	0.0	0.5	1.9	4.86	15.13
Village of Pewaukee	2,643	8,176	1.0	1.0	0.9946	4.9	0.1	5.0	17.0	5.13	15.55
Village of Menomonee Falls	21,120	37,413	5.0	4.8	0.9717	23.5	6.4	29.9	89.6	5.23	15.86
City of New Berlin	23,322	39,803	5.2	4.9	0.9358	25.6	0.0	25.6	94.0	5.26	17.16
City of Oconomowoc	7,386	16,526	2.1	2.0	0.9461	10.8	0.3	11.2	35.9	5.50	16.23
City of Brookfield	17,338	38,016	6.9	6.9	1.0042	38.0	2.9	40.9	123.3	5.64	15.21
Village of Sussex	4,845	10,765	1.3	1.3	0.9723	7.1	0.4	7.5	21.8	5.65	16.05
Village of Elm Grove	2,093	6,174	1.1	1.1	0.9481	6.9	0.6	7.5	21.1	6.53	17.62
Village of Dousman	1,651	2,317	0.2	0.2	0.9559	1.2	0.0	1.2	3.6	6.70	17.98
Village of Mukwonago	5,056	7,820	0.8	0.7	0.9124	5.6	0.8	6.5	14.7	8.05	18.17
Village of Butler	499	1,820	0.3	0.3	1.0001	1.9	0.7	2.5	5.1	8.49	19.01
Village of Big Bend	1,990	1,316	0.2	0.2	1.0107	1.4	0.0	1.4	3.1	8.74	17.67
City of Waukesha	15,878	72,363	6.1	6.2	1.0042	61.4	5.5	66.9	128.7	10.43	19.37





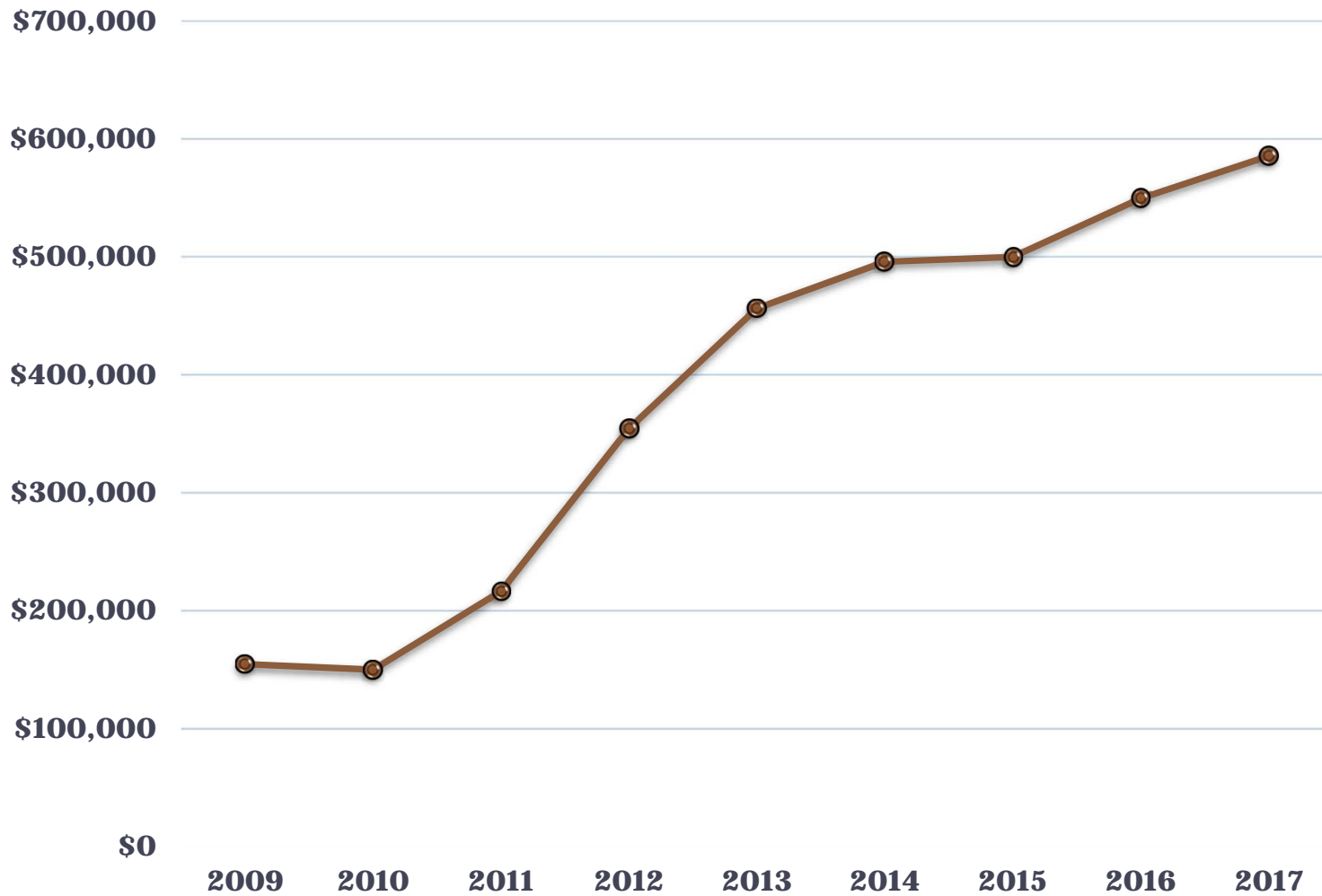
# Garbage/Recycling Fund



## Garbage/Recycling Fund (in millions)

Operating Revenues	\$ 1.4
Operating Expenditures	<u>- 2.0</u>
Overall deficit	- 0.6
<b>Transfer in from General Fund</b>	<b><u>0.6</u></b> ←
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 2017 were \$2.9 million, in-line with budget and consistent with 2016.
- Our current projections go out to the year 2040, and show an estimated cash balance of over \$75 million.
  - The future funds available can eventually be used as an internal revolving loan fund available to the Village for our annual capital budgets.
- During 2017 the General Fund transferred in \$0.9 million in surplus.



# Water Utility



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

	<b>2017</b>	2016	2015
User service charges	\$6.9	\$6.8	\$6.8
Operating expenses (less depreciation)	5.0	5.0	4.9
<b>Operating income</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>
Net nonoperating revenues (w/o non-cash items)	0.5	0.5	0.6
<b>Net income</b> (w/o depreciation or contributions)	<b>\$2.4</b>	<b>\$2.3</b>	<b>\$2.5</b>

### Financial Statement Reconciling Info:

Depreciation expense	\$1.7	\$1.7	\$1.6
Capital contributions	0.6	0.9	0.6

## Water Utility (Modified Balance Sheet) (in Millions)

	<b>2017</b>	2016	2015
Cash & equivalents	\$7.3	\$6.4	\$5.5
Tax roll charges	0.2	0.2	0.2
<b>Cash readily available</b>	<b>7.5</b>	<b>6.6</b>	<b>5.7</b>
Accounts payable and accrued liabilities	0.2	0.2	0.6
Outstanding debt (plus accrued interest)	7.7	7.1	6.5
<b>Liabilities available for payment</b>	<b>7.9</b>	<b>7.3</b>	<b>7.1</b>
<b>Liab. covered by future cash flow</b>	<b>-\$0.4</b>	<b>-\$0.7</b>	<b>-\$1.4</b>



## 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 remained consistent with 2016.
  - Consumption was slightly lower than 2016.
- 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 2017, 2.5% more than 2016.
- The Utility also paid \$1.3 million in tax equivalent charges to the Village in 2017.
  - This amount is determined based on a PSC formula.



# Sewer Utility



## Sewer Utility (Income Statement Highlights) (in Millions)

	<b>2017</b>	2016	2015
User service charges	\$8.5	\$8.4	\$8.3
Operating expenses (less depreciation)	9.3	8.1	8.9
<b>Operating Income (Loss)</b>	<b>-0.8</b>	<b>0.3</b>	<b>-0.6</b>
Net nonoperating revenues	0.6	0.6	0.9
<b>Net Income (Loss)</b> (w/o depreciation or contributions)	<b>-\$0.2</b>	<b>\$0.9</b>	<b>\$0.3</b>

### Financial Statement Reconciling Info:

Depreciation expense	\$1.4	\$1.4	\$1.4
Capital contributions	0.6	2.8	0.5

## Sewer Utility (Modified Balance Sheet) (in Millions)

	<b>2017</b>	2016	2015
Cash & equivalents	2.3	\$2.8	\$3.9
Taxes and tax roll charges	0.3	0.4	0.3
<b>Cash readily available</b>	<b>2.6</b>	<b>3.2</b>	<b>4.2</b>
Accounts payable and accrued liabilities	0.2	0.2	0.7
Advance payable	0.1	0.2	0.3
Outstanding debt (plus accrued interest)	1.3	1.5	1.7
<b>Liabilities available for payment</b>	<b>1.6</b>	<b>1.9</b>	<b>2.7</b>
<b>Net cash readily available</b>	<b>\$1.0</b>	<b>\$1.3</b>	<b>\$1.5</b>

## Sewer Utility (Comments)

- The Sewer Utility continued to spend down cash reserves
  - Cash reserves are now down to a minimum
  - A 6% rate increase was implemented as of January 1, 2018
- There are no significant infrastructure projects scheduled for the near future, so that helps keep cash demands manageable.
- A little over \$7.6 million was paid to MMSD for contracted services in 2017. Overall total payments to MMSD were \$1.2 million higher compared to 2016.
  - MMSD volume charges increased 2% or \$45K
  - MMSD fixed capital charges increased 25% or \$1.1 million



# Storm Water Utility



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

	<b>2017</b>	2016	2015
Property taxes and permit fees	\$1.0	\$1.0	\$1.0
Operating expenses (less depreciation)	0.7	0.6	0.7
<b>Operating income</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>
Net nonoperating expenses (w/o non-cash items)	-0.1	-0.1	-0.1
<b>Net income</b> (w/o depreciation or contributions)	<b>\$0.2</b>	<b>\$0.3</b>	<b>0.2</b>

### Financial Statement Reconciling Info:

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



## Storm Utility (Modified Balance Sheet) (in Millions)

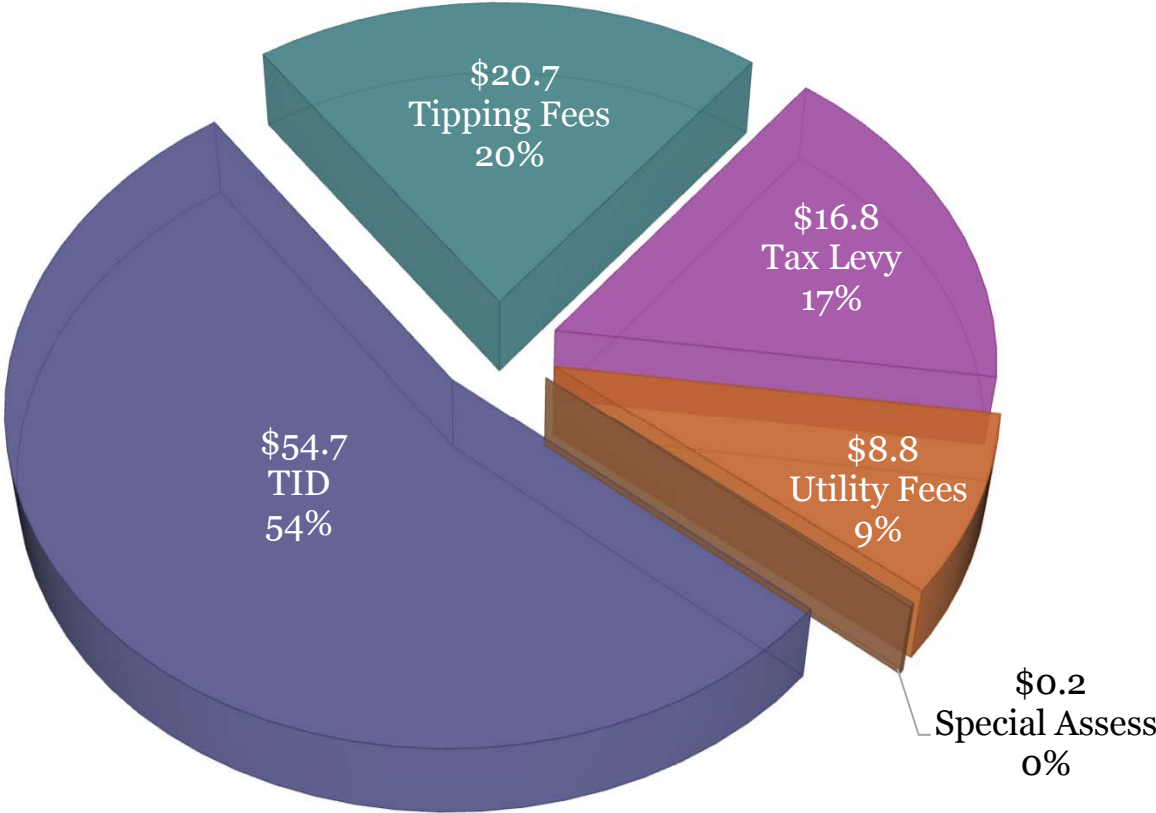
	<b>2017</b>	2016	2015
Cash & equivalents	\$0.6	\$0.8	\$0.9
Taxes	0.9	0.9	0.9
<b>Cash readily available</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>
Accounts payable and accrued liabilities	0.1	0.1	0.2
Advance payable	1.7	1.4	1.0
Outstanding debt (plus accrued interest)	2.6	3.1	3.6
<b>Liabilities available for payment</b>	<b>4.4</b>	<b>4.6</b>	<b>4.8</b>
<b>Liab. covered by future cash flow</b>	<b>\$-2.9</b>	<b>-\$2.9</b>	<b>-\$3.0</b>

## Storm Water Utility (Comments)

- The Storm Utility cannot afford 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

(\$101.2 million)



GO debt rated Aa2 by Moody's

(in millions)