VILLAGE OF MCFARLAND *NOTICE OF PUBLIC MEETING*

FINANCE COMMITTEE

Wednesday, March 11, 2020 **6:30 PM** **McFarland Municipal Center**
Community Room

Revised - AGENDA

1. CALL TO ORDER, ROLL CALL.

2. PUBLIC APPEARANCES.

3. APPROVAL OF MINUTES.
   a. Discussion and action regarding minutes of the meeting held on January 22, 2020.

4. BUSINESS.
   a. Discussion and action to make a recommendation to the Village Board regarding revisions to Chapter 7 the Policy on Expenditure of Parks Capital Projects Fund Revenues.

   b. Discussion and action to make a recommendation to the Village Board regarding an amendment(s) to the adopted 2020 Budget.

   c. Discussion and action to make a recommendation to the Village Board regarding updates and revisions to Chapter 3 Debt Management Policy of the Fiscal Policy Manual.

   d. Discussion regarding schedule for future meetings.

5. SCHEDULE NEXT MEETING DATE.
   a. Wednesday, April 22, 2020 at 6:30 pm.

6. ADJOURNMENT.

This meeting notice constitutes an official meeting of the above referenced group and was posted in accordance with all applicable laws related to Open Meetings Law. It is possible that members of and possibly a quorum of members of other governmental bodies of the municipality may be in attendance at the above stated meeting to gather information. No action will be taken by any governmental body at the above stated meeting other than the governmental body specifically referred to above in this notice. Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals. For additional information or to request this service, contact the McFarland Municipal Center at (608) 838-3153 or cassandra.suettinger@mcfarland.wi.us.

VILLAGE OF MCFARLAND

Finance Committee Minutes

Wednesday, January 22, 2020 - 6:30 PM

1. **CALL TO ORDER, ROLL CALL.**
   Trustee Mary Pat Lytle called the regular meeting of the Finance Committee to order at 6:30 PM in Conference Room A.

   Members present: Mary Pat Lytle, Chuck Mulcahy, Clifford Strelow, Curtis Calnin, Eric Kryzenske, Jon Michels

   Members not present: Rod Clark

   Staff Present: Village Administrator Matt Schuenke; Village Clerk/Treasurer Cassandra Suettinger; Accountant/Deputy Treasurer Jennifer Haried

2. **PUBLIC APPEARANCES.**
   None.

3. **APPROVAL OF MINUTES.**

   a. *Discussion and action regarding the minutes from the meeting held on October 16, 2019.*
   Motion by Clifford Strelow, second by Curtis Calnin, to accept Discussion and action regarding the minutes from the meeting held on October 16, 2019. Motion carries 6 - 0 - 0 by acclamation.

4. **BUSINESS.**

   a. *Discussion and action to make a recommendation to the Village Board on amendment of section 5.04 of Village's investment policy regarding custodial credit risk.*
   Motion by Clifford Strelow, second by Chuck Mulcahy, to recommend approval to the Village Board on amendment of section 5.04 of Village's investment policy regarding custodial credit risk. Motion carries 6 - 0 - 0 by acclamation.

   b. *Discussion and action to make a recommendation to the Village Board on using an irrevocable letter of credit from the Federal Home Loan Bank of Chicago as collaterlization for all funds help at McFarland State Bank.*
   Motion by Clifford Strelow, second by Curtis Calnin, to recommend approval to the Village Board on using an irrevocable letter of credit from the Federal Home Loan Bank of Chicago as collateralizati for all funds help at McFarland State Bank. Motion carries 6 - 0 - 0 by acclamation.

   c. *Discussion and action to make a recommendation to the Village Board regarding an agreement for the State Debt Collection System.*
   Motion by Village Trustee Mary Pat Lytle, second by Clifford Strelow, to recommend approval to the Village Board regarding an agreement for the State Debt Collection System. Motion carries 6 - 0 - 0 by acclamation.

d. *Discussion and action to make a recommendation to the Village Board regarding revisions to Chapter 12 Vehicle Replacement Policy of the Fiscal Policy Manual.*
Motion by Clifford Strelow, second by Chuck Mulcahy, to recommend approval to the Village Board regarding revisions to Chapter 12 Vehicle Replacement Policy of the Fiscal Policy Manual. Motion carries 6 - 0 - 0 by acclamation.

e. *Discussion and action to make a recommendation to the Village Board regarding the Capital Improvement Plan for 2020-2024.*
Motion by Village Trustee Mary Pat Lytle, second by Clifford Strelow, to recommend approval to the Village Board regarding the Capital Improvement Plan for 2020-2024. Motion carries 5 - 1 - 0 by acclamation, with Trustee Kryzenske voting nay.

5. SCHEDULE NEXT MEETING DATE.

a. *Wednesday, February 26, 2020 at 6:30 pm.*

6. ADJOURNMENT.
Motion by Clifford Strelow, second by Curtis Calnin, to adjourn at 7:54pm.

Pursuant to law, written notice of this meeting was given to the public and posted on the public bulletin boards in accordance with Open Meetings Law.

Respectfully submitted,
Jennifer Haried
Accountant/Deputy Treasurer

VILLAGE OF
McFarland

VILLAGE BOARD SUMMARY SHEET

MEETING DATE: **Wednesday, March 11, 2020**

SECTION: **Business**

DEPARTMENT: **Public Works**

CONTACT:

AGENDA ITEM: **Discussion and action to make a recommendation to the Village Board regarding revisions to Chapter 7 the Policy on Expenditure of Parks Capital Projects Fund Revenues.**

PREVIOUS ACTION:

ISSUE SUMMARY:
Within our Finance Policy Manual we have Chapter 7 that serves as a guide on the use of "Parks Capital Projects Fund Revenues" or otherwise known as park impact fees. These fees are collected through growth and development according to the type and levels listed in the policy. Some changes to this policy are suggested for two reasons:

1. The Parks Impact Fee Study was accepted in January and provides guidance on the fee levels. As a result of that study and separate from this policy, the Village Board is considering changes to the ordinance in line with what was approved in the study. The policy is updated to align with those newly recommended and accepted levels.
2. The policy has not been reviewed in a few years, and the remaining revisions are provided as an update in order to be consistent with State law. There is less flexibility in these standards and the changes put forth are allowable following review and recommendation by the Village Attorney.

A redline version of the existing policy is included in your packet as prepared by the Village Attorney. A short summary of the background behind his changes is also provided. The last attachment is the clean version of what would be the updated format for this policy. The Parks, Recreation, and Natural Resources Committee considered this document at their last meeting and recommended it for approval. The Village Board will consider last and take into account both recommendations at their meeting on March 9th.

FINANCIAL/BUDGET IMPACT:

VILLAGE PLAN REFERENCE:

Village of McFarland

ORDINANCE REFERENCE:

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:

ATTACHMENTS:

1. Chapter 7 - Police on Expenditure of Parks Capital Projects Fund Revenues 02132020 dje
2. Summary from Attorney on Policy Revisions 02132020 dje
3. Chapter 7 - Policy on Expenditure of Parks Capital Projects Fund Revenues 02142020 mgs

~~POLICY ON EXPENDITURE OF~~ PARK~~S CAPITAL PROJECTS FUND REVENUES~~IMPACT FEE EXPENDITURE POLICY

POLICY PURPOSE

The purpose of this policy is to provide ~~flexible~~ budgetary guidelines to the Parks, Recreation & ~~Recreation Committee and/or the~~ Natural Resources Committee and the Village Board for the expenditure of segregated revenues collected ~~in the Parks Capital Projects Fund~~as Park Impact Fees. The intent of the policy is to ensure that these funds, which are collected from two types of fees and can be used only on eligible park expenditures as summarized below, are expended in a legal, cost-effective manner that will further the development of park and recreation opportunities.

In general, all impact fees are based upon estimated capital costs for new, expanded or improved public facilities necessitated by land development. Impact fees cannot be used to increase a service standard or capacity greater than the standard already provided by the Village; instead, they are used to offset the costs incurred to satisfy the additional demand created by new development. In the context of parks, impact fees are collected to both acquire new park areas and complete new park improvements. These fees enable the Village to maintain quality recreation opportunities for its residents while the Village continues to grow.

POLICY IMPLEMENTATION OBJECTIVES

A. TYPES OF FEES

1. Park-land Impact Fee in Lieu of Parkland Dedication

   Section 56-173 of the McFarland Municipal Code requires developers to dedicate 2,106 square feet per single family dwelling unit, 1,463 square feet per multi~~-~~-family dwelling unit, and 804 square feet per group quarters dwelling unit~~, 1,977 square feet of land for park purposes for every new residential dwelling units they create~~, or pay a park-land impact fee in lieu of dedicating parkland. ~~The general intent is that t~~These fees ~~would~~ must be used to create ~~or improve~~ or expand parks. ~~that are in geographic proximity to the new development and will benefit those residents, or that they will be used to improve a community park in a manner that would benefit all Village residents.~~ The decision to accept land dedication or fees in lieu of land dedication, or some combination thereof, is made by the Village. The amount of the fee ~~in lieu~~ is $3,915.46 per single family dwelling unit, $2,719.90 per multi-family dwelling unit, and $1,494.45 per group quarters dwelling unit, according to the Village's most recent needs assessment, but that amount is subject to modification annually. Fees paid in lieu of land dedication may be used to acquire ~~or develop~~ park lands~~, to construct or install park improvements,~~ or to service debt incurred for this~~ose~~ purpose~~s~~.

2. Park Improvement Impact Fee

Section 8-464 of the McFarland Municipal Code requires payment of a Park Improvement Impact Fee at the time a building permit is issued for construction of a new residential dwelling. The amount of the fee is $1,099.65 per single family dwelling unit, $712.53~~3~~ per multi-family dwelling unit, and $551.51 per group quarters dwelling unit, according to the Village's most recent needs assessment, but that amount is subject to modification annually. These amounts are based on the cost of park improvements and the cost of creating trails. These fees may not be used toward land acquisition costs, but may be used to develop parklands and trails, to construct or install park improvements, and to service debt incurred for those purposes.

B. ~~RECOMMENDED~~ PERMITTED USES

1. Fees paid in lieu of land dedication may ~~only~~ be used for the ~~A~~acquisition of park land. It is recommended that these acquisitions be consistent with the Village's Outdoor Recreation & Open Space Plan and the Village's Comprehensive Plan.

2. Fees paid for park improvements may be used for ~~B~~basic site development, construction of playing fields, installation of trails, landscaping, purchase and installation of equipment, and construction of new facilities in new or existing parks in accordance with an approved park master plan.

~~2.~~3. Up to 10% of Park Impact Fees spent on any project may be used for legal, engineering and design costs incurred as part of the ~~capital costs for~~project, including park improvements and land purchases. This percentage can be increased for any project if it can be demonstrated that these costs will exceed 10%~~ on a project~~. Impact fees do not have to be used for these services.

C. ~~USES THAT ARE~~ PROHIBITED USES~~OR NOT RECOMMENDED~~

1. ~~Routine o~~Operating and maintenance expenses.

~~Major maintenance expenses.~~

~~3.~~2. Replacement of existing facilities or equipment unless the new facility provides a significant upgrade in recreational opportunities or amenities compared to the facility it replaces.

~~4.~~3. Reconstruction of existing playing fields, unless the reconstruction would permit a significantly different or more varied type of use.

D. COMBINATION PROJECTS

It may be appropriate in certain circumstances to fund the project expenses described above from a combination of sources, including partial funding ~~from the Parks Capital Projects Fund~~with Park Impact F~~f~~ees. It is also permissible to phase improvement projects over a multi-year period to spread out the ~~short term~~short-term impact on ~~the Parks Capital Projects Fund~~these funds.

Adopted:__________

Matt Schuenke

From: Daniel J. Evans <devans@rwelaw.net>
Sent: Thursday, February 13, 2020 6:53 PM
To: Matt Schuenke
Cc: Andrew Bremer
Subject: Chapter 7 policy
Attachments: Chapter 7 - Policy redline accepted.docx; Chapter 7 - Policy Redline.docx

Matt,

The redline is a little hard to read with the number of changes. The existing policy suggest more discretion than there is with respect to fees in lieu, which was permitted under the old law, but now must match the impact fee standards and our needs assessment. So the use of these fees is more restrictive now. We can elaborate more if you think this needs more explanation. I added a paragraph in the opening which echoes the impact fee statute; this may seem redundant but I think it helps put the concept behind impact fees for the Parks Committee. I also added that some of these fees can be used for design and related costs, but I don't know if this is something the Parks Committee needs to concern itself with.

I am in the office all day tomorrow if you want to discuss this further. I did catch that there is no longer a separate natural resources committee and removed this.

Daniel J. Evans
Reuter, Whitish & Evans, S.C.
44 E. Mifflin St., Suite 306
Madison, WI 53703
Office: (608)250-9053
www.rwelaw.net

CHAPTER 7 Park Impact Fee Expenditure Policy

SECTION 7.01 Policy Purpose

(a) The purpose of this policy is to provide budgetary guidelines to the Parks, Recreation & Natural Resources Committee and the Village Board for the expenditure of segregated revenues collected as Park Impact Fees. The intent of the policy is to ensure that these funds, which are collected from two types of fees and can be used only on eligible park expenditures as summarized below, are expended in a legal, cost-effective manner that will further the development of park and recreation opportunities.

(b) In general, all impact fees are based upon estimated capital costs for new, expanded or improved public facilities necessitated by land development. Impact fees cannot be used to increase a service standard or capacity greater than the standard already provided by the Village; instead, they are used to offset the costs incurred to satisfy the additional demand created by new development. In the context of parks, impact fees are collected to both acquire new park areas and complete new park improvements. These fees enable the Village to maintain quality recreation opportunities for its residents while the Village continues to grow.

SECTION 7.02 Policy Implementation Objectives

(a) **Types of Fees.**

(1) **Park Land Impact Fee in Lieu of Parkland Dedication.** Section 56-173 of the McFarland Municipal Code requires developers to dedicate 2,106 square feet per single family dwelling unit, 1,463 square feet per multi-family dwelling unit, and 804 square feet per group quarters dwelling unit, or pay a park-land impact fee in lieu of dedicating parkland. These fees must be used to create or expand parks. The decision to accept land dedication or fees in lieu of land dedication, or some combination thereof, is made by the Village. The amount of the fee is \$3,915.46 per single family dwelling unit, \$2,719.90 per multi-family dwelling unit, and \$1,494.45 per group quarters dwelling unit, according to the Village's most recent needs assessment, but that amount is subject to modification annually. Fees paid in lieu of land dedication may be used to acquire park lands or to service debt incurred for this purpose.

(2) **Park Improvement Impact Fee.** Section 8-464 of the McFarland Municipal Code requires payment of a Park Improvement Impact Fee at the time a building permit is issued for construction of a new residential dwelling. The amount of the fee is \$1,099.65 per single family dwelling unit, \$712.53 per multi-family dwelling unit, and \$551.51 per group quarters

dwelling unit, according to the Village's most recent needs assessment, but that amount is subject to modification annually. These amounts are based on the cost of park improvements and the cost of creating trails. These fees may not be used toward land acquisition costs, but may be used to develop parklands and trails, to construct or install park improvements, and to service debt incurred for those purposes.

(b) **Permitted Uses.**

(1) Fees paid in lieu of land dedication may be used for the acquisition of park land. It is recommended that these acquisitions be consistent with the Village's Outdoor Recreation & Open Space Plan and the Village's Comprehensive Plan.

(2) Fees paid for park improvements may be used for basic site development, construction of playing fields, installation of trails, landscaping, purchase and installation of equipment, and construction of new facilities in new or existing parks in accordance with an approved park master plan.

(3) Up to 10% of Park Impact Fees spent on any project may be used for legal, engineering and design costs incurred as part of the project, including park improvements and land purchases. This percentage can be increased for any project if it can be demonstrated that these costs will exceed 10%. Impact fees do not have to be used for these services.

(c) **Prohibited Uses.**

(1) Operating and maintenance expenses.

(2) Replacement of existing facilities or equipment unless the new facility provides a significant upgrade in recreational opportunities or amenities compared to the facility it replaces.

(3) Reconstruction of existing playing fields, unless the reconstruction would permit a significantly different or more varied type of use.

(d) **Combination Projects.** It may be appropriate in certain circumstances to fund the project expenses described above from a combination of sources, including partial funding with Park Impact Fees. It is also permissible to phase improvement projects over a multi-year period to spread out the short-term impact on these funds.

Adopted: June 10, 2013

Amended: September 14, 2015
March 9, 2020

VILLAGE OF
McFarland

VILLAGE BOARD SUMMARY SHEET

MEETING DATE: **Wednesday, March 11, 2020**

SECTION: **Business**

DEPARTMENT: **Administration**

CONTACT:

AGENDA ITEM: **Discussion and action to make a recommendation to the Village Board regarding an amendment(s) to the adopted 2020 Budget.**

PREVIOUS ACTION:

ISSUE SUMMARY:
At the January 27, 2020 meeting of the Village Board, Trustee Utter "referred amendment of the budget due to the increased costs purchases to the Finance Committee". This is based on actions taken by the Village Board as part of that meeting and the perception as he saw it how the actions taken compared against the approved budget for these various matters. The direction as Staff understands it is to evaluate these actions against the budget and decide what if anything should be recommended to the Village Board as far as an amendment to the 2020 Budget. The following actions were taken as part of that meeting which had budgetary implications:

- **Aquatics Development Proposal** - This item is a planning proposal recommended by the Parks Committee and approved by the Village Board. The amount authorized was $24,000. The 2020 Budget allocated $40,000 for this purpose. As approved, the project is under budget and a budget amendment is not needed nor recommended.
- **Pickleball Development Proposal** - This item is a planning/design proposal recommended by the Parks Committee and approved by the Village Board. The amount authorized was $14,880. The 2020 Budget allocated $150,000 for this purpose which included the construction of the improvement. As approved, the project is under budget pending completion of design and bids. A budget amendment at this time is not needed nor recommended.
- **Larson Park Hardscape Project** - This item is a planning proposal recommended by the Parks Committee and approved by the Village Board. The amount authorized was $12,200. The 2020 Budget allocated $100,000 for this purpose which included the construction of the improvement. As approved, the project is under budget pending completion of design and bids. A budget amendment at this time is not needed nor recommended.
- **"No Fault Sewer" Insurance Coverage** - This item is insurance coverage within the Utilities Fund (supported by rate payers) to protect against private damage from the

sanitary sewer system. The amount of this coverage is $14,992. The 2020 Budget allocated $42,000 for its share of insurance at existing allocations. This new amount will be split between Water and Sewer, and can be absorbed under existing operations. If a budget amendment were considered here, the additional expense would be offset by fund balance which is the same thing that would happen if there was not an amendment. Furthermore, both the Sanitary Sewer and Water Service are going through rate studies which will increase revenue to the funds helping to provide future coverage with the next budget cycle. A budget amendment at this time is not needed nor recommended.

- **Yard Waste Contracted Service** - This item approved a 3 year contract for yard waste services with our current provider. The amount authorized in 2020 is a base contract of $78,000 although there are some hourly rates applied in the Spring and Fall for curbside collection. The 2020 Budget allocated $83,500 for this work. While the base number authorized is less than the budget expense, due to the unknown amount of hours in the Spring and Fall to applied it may or may not go over the total. The base is higher than in past years but the 2020 Budget did provide a higher amount. A budget amendment at this time is not needed nor recommended.
- **County Highway MN Design Contract** - This item is a design proposal recommended by the Public Works Committee and approved by the Village Board. The amount authorized was $125,000. The 2020 Budget allocated $125,000 for this purpose. As approved, the project is under budget and a budget amendment is not needed nor recommended.
- **Purchase of 4313 Triangle Street** - This item is the approval to complete the purchase of this property as was originally recommended by the CDA at the previous meeting. "Property" is a line item within all three TID budgets every year. It is presented at $0 since most opportunities are not known in advance of the budget. The line item is included to give the CDA and Village Board flexibility to acquire property throughout the year using monies available within each of the funds as applicable. The cost for the acquisition will be paid through tax increment collected in the district and possible fund balance is other expenses exceed revenues collected for the year. This would happen regardless of a budget amendment or not. A budget amendment at this time is not needed nor recommended.
- **Building Inspection Contract** - This item approved a new 3 year contract for building inspection in lieu of hiring an employee for this purpose. We are charged an hourly rate for this service and the 2020 Budget is already approved at $75,000. There is no way of knowing in February of the current year how much we are going to spend by December in the same year for this service. The budget was approved based on our experience in 2019 and will be adjusted in the future accordingly based on demand for inspections. A budget amendment at this time is not needed nor recommended.

Again, Staff does not recommend budget amendments for these items. Yes, there are some variances from budget to actual. There always are. A lot of these its very premature to tell if we'll go over or stay under, but that's why we do an audit to evaluate where we missed the mark. Then use that data to make adjustments to the next year's budget. We can certainly discuss further when we meet.

FINANCIAL/BUDGET IMPACT:

VILLAGE PLAN REFERENCE:

ORDINANCE REFERENCE:

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:

ATTACHMENTS:
None

VILLAGE OF
McFarland

VILLAGE BOARD SUMMARY SHEET

MEETING DATE: **Wednesday, March 11, 2020**

SECTION: **Business**

DEPARTMENT: **Administration**

CONTACT: **Matt Schuenke, Village Administrator**

AGENDA ITEM: **Discussion and action to make a recommendation to the Village Board regarding updates and revisions to Chapter 3 Debt Management Policy of the Fiscal Policy Manual.**

PREVIOUS ACTION:
The Committee made its recommendation to the Village Board in the June meeting of 2019 and the revisions were approved by the Village Board on July 8, 2019.

ISSUE SUMMARY:
Enclosed within your packet is the current version of the Debt Management Policy. Recently the Village Board has asked the Committee to weigh in on the utilization percentage threshold that is set within this document. As they are considering long term fiscal implications of the 2020-2024 Capital Improvement Plan they want to make sure the target identified within this policy as a guideline is at an appropriate level.

The current threshold for General Obligation Debt is 50% of which a ceiling of 40% is suggested for items that are not provided for the utilities or TID. Sample policies from our last review suggest a single threshold between 50% to 80% as an alternative. The suggested policy revision is presented as a single threshold based on a lower than allowed equalized value as the limit to initiate our discuss and review.

Staff will be consulting with our Financial Adviser and Auditor for feedback on what the appropriate target should be. This feedback will be shared in the meeting. Again, the goal is for the policy to allow enough flexibility but not count against our borrowing efforts because we have too much outstanding.

FINANCIAL/BUDGET IMPACT:
Rewriting or updating the policy is generally done by Staff under review later by the Attorney. The cost for which is included within our operating budget as needed. We will discuss fiscal implications of the policy language as might be appropriate.

VILLAGE PLAN REFERENCE:
Village of McFarland Fiscal Policy Manual

ORDINANCE REFERENCE:
None.

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:
Presented for discussion, and if changes are agreeable may be recommended to the Village Board for approval.

ATTACHMENTS:
1. Chapter 3 - Debt Management Policy 03092020 mgs
2. Debt Policy - Brookfield
3. Debt Policy - Janesville
4. Debt Policy - GFOA

CHAPTER 3 Debt Management Policy

SECTION 3.01 Policy Purpose

(a) The Village acknowledges that certain costs incurred on an annual basis reflect an investment in the future of the Village. These types of costs include development, acquisition, and replacement of assets that will be used by the residents of the Village over a long period of time. Financing of these long-term assets is often appropriately accomplished through the issuance of long-term debt instruments, special assessments, or any other combination of these.

(b) It is the responsibility of the Village Board and Village administrative staff to monitor the financial health of the Village. A significant portion of the Village's financial health is determined by its ability to manage its debt, so the role of debt in the Village's total financial strategy must be carefully defined in order to avoid using debt in a way that weakens other parts of its financial structure. It is the responsibility of the Village Administrator and Clerk/Treasurer to regularly monitor the Village's outstanding debt and to recommend issuance, replacement and retirement of outstanding debt to the Finance Committee and the Village Board.

SECTION 3.02 Policy Implementation Objectives

(a) **Financing Considerations.**

(1) The Village will confine long-term borrowing to capital improvements, equipment, or other long-term projects which cannot and, appropriately should not, be financed from current annual operating revenues.

(2) The Village will not use long-term debt to finance current operations, nor will long-term debt be used to finance the cost of short-lived (less than five years) depreciable assets (for example, vehicles).

(3) In general, the final maturity of bonds and notes issued by the Village should not exceed the expected useful life of the underlying project for which it is being issued.

(4) The Village will issue general obligation debt by borrowing from the State Trust Fund or through a competitive bidding process or negotiated sale, depending upon which approach is deemed most advantageous to the Village.

(5) Periodic reviews of outstanding debt will be undertaken by the Village Administrator and Clerk/Treasurer at least every two years to determine refinancing opportunities. Refinancing will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding.

(b) **Debt Limits and Structure.**

(1) Section 67.03 of Wisconsin Statutes and Article XI, §3(2) of the Wisconsin Constitution require that general obligation debt outstanding not exceed 5% of the equalized valuation of the taxable property within the Village. Revenue bonds and notes are not considered debt for purposes of determining compliance with constitutional debt limitations. The Village intends to keep total outstanding general obligations debt within 4% ~~50%~~ of the equalized valuation ~~limit prescribed by law and non-utility and non-TIF related general obligation debt within 40% of the statutory limit~~ unless otherwise authorized by the Village Board. Debt levels should further be consistent with the Village's credit objectives and long-term financial plan.

(2) The Village will keep the maturity of all outstanding general obligation bonds at or below 20 years unless otherwise allowed by Wisconsin State Statutes and authorized by the Village Board.

(3) The total annual debt service expense for general obligation debt (exclusive of that funded by proprietary operations) should not exceed 25% of the Village's total operating expense less capital outlay, unless otherwise authorized by the Village Board. The Village will make every effort realistic and reasonable to maintain debt service expenditures at a proportionately even level for tax rate stabilization.

(c) **Municipal Advisor.**

(1) The Village will utilize the services of a qualified Municipal Securities Rulemaking Board (MSRB) Registered Municipal Advisor ("Municipal Advisor") that meets all current certification requirements in the monitoring of its debt and debt service.

(2) The Village should strive to maintain a long-term relationship with a Municipal Advisor to allow for continuity and consistency in services provided by the advisor. However, the arrangement between the Municipal Advisor and the Village should be examined every five (5) years or as deemed necessary by Village administrative staff and the Village Board.

(3) All feasible alternatives (for example, State Trust Fund loans, Clean Water Fund loans, and private placements with local financial institutions) for borrowing funds should be considered by the Village and the Municipal Advisor depending on the uniqueness of the items or projects being financed by long-term debt.

(4) All costs of issuing long-term debt, including fees for professional services, underwriting fees, and the interest costs over the term of the debt issue, must be considered and carefully evaluated for each borrowing.

(5) The Village will work with the Municipal Advisor to ensure that long-term debt issues are structured to protect the interest of the Village for the present and in the future (for example, the inclusion of call provisions to protect the Village against future interest rate fluctuations or other circumstances).

(d) **Other Considerations.**

(1) The maintenance of the best possible credit rating shall be a significant factor in all financial decisions.

(2) The Village will maintain good communications with bond rating agencies regarding its financial condition.

(3) The Village will follow a policy of full disclosure in all financial reporting including bond prospectuses and continuing disclosure agreements required under SEC Rule 15c2-12(b)(5).

Adopted: October 10, 2011 Amended: July 8, 2019
XXXX XX, XXXX

CITY OF BROOKFIELD
Budget Policies

The budget for the City of Brookfield serves as a comprehensive, rational guide for financial and programmatic decision-making and operations management throughout each fiscal year. The budget is intended to be not only a financial plan but also a performance plan linked to the strategic goals established by the Common Council and outlined in a separate section. This section describes those policies and procedures that govern the preparation and implementation of the City budget on an annual basis.

The Common Council has adopted several financial policies that guide the development and monitoring of budgets for the City, both on a long-term and annual basis. The seven adopted financial policies that address budgetary issues are: fund balance, debt, capital improvement, revenue, operating budget, budget transfer and budget development.

Fund Balance

The City's fund balance policy addresses the desired level of fund balance to be maintained in the general fund, the primary operating fund of the City. The fund balance levels are monitored and augmented by the use of a long-term five (5) year financial forecasting module developed specifically for the City. In general, the policy guidelines are to maintain an unassigned fund balance of two to four months of budgeted expenditures from the subsequent year. A detailed discussion regarding the general fund balance and compliance with the policy can be found on page 43. In addition to the formal policy, particular attention in making budgetary decisions is given to maintaining sufficient fund equity in the utility enterprise funds for capital replacement needs, operating budget flexibility and contingencies.

Debt

The City's debt policy provides guidance to ensure that long-term debt is utilized appropriately and in a fiscally prudent manner. Elements of the policy include:

- Limiting long-term borrowing to capital improvements or other long-term projects which cannot and, appropriately should not, be financed from current revenues and/or funds established for equipment replacement. Debt will not be used to finance current operations, nor will long-term debt be used to finance the cost of short-lived depreciable assets (for example, vehicles).

- Final maturity of bonds and notes should not exceed the expected useful life of the underlying project for which it is being issued.

- The statutory limit on general obligation debt is five percent (5%) of the equalized valuation of taxable property within the City. The debt policy further limits such debt, including any such proceeds allocated to the sewer and water utilities, tax incremental financing districts, and conference center, to four percent (4%) of the equalized valuation.

- Structure debt issues to achieve above average principal retirement (for example, for 20 year bonds, the City seeks to retire at least 80% of the debt within 10 years of issuance) and maximize flexibility for the City's interests (e.g., call provisions).

- Providing a cap on total annual debt service for general obligation debt (exclusive of that funded by enterprise operations or funded by alternative revenue sources such as hotel room taxes or tax increments) of 30% of the City's total annual general operating revenues.

- Maintain a stable ratio of debt outstanding as a percentage of equalized valuation.

- Maintain good communications with bond rating agencies regarding its financial condition, and provide for full disclosure in all financial reporting including official statements and continuing disclosure agreements.

Capital Improvement

Key elements of the capital improvement policy include:

- Adopting an annual capital improvement budget based upon a five-year capital improvement plan. The five-year capital improvement plan will consider major equipment replacement needs, as well as other anticipated capital expenditures. All City departments, including the water and sewer utilities, prepare a capital improvement plan, and the plan will be updated annually.

- Providing for an affordability analysis, including consideration of limits on total capital expenditures and impact on property tax and utility rate fees necessary to fund debt service.

- Coordinating development and approval of the annual capital improvement budget with the development of the operating budget, and considering future operating costs associated with new capital improvements.

- Capital improvement expenditures shall include any amounts expended for equipment or other assets with a useful life of ten years or more and/or which involve amounts more than $25,000.

Other practices followed with respect to capital budget and expenditures include the use of cash funding where feasible and appropriate, and establishment of replacement funds. Examples include: (a) infrastructure maintenance activities funded via the public works and sewer operating budgets (paid with current tax or utility rate revenues); (b) the computer replacement fund used to accumulate monies for replacement of computer equipment in all departments connected to the City's wide area network (WAN); and (c) the vehicle/equipment replacement fund established for the replacement of vehicles and major equipment (construction, etc.).

Budget balances appropriated in capital improvement funds are designated for specific projects and are carried forward as available for expenditure until the project is complete or the balance is transferred to other eligible projects.

Revenue

Revenue policy elements include:

- Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees and cost sharing with other governmental units and other City funds such as sewer, water, etc. User fees and cost allocation formulas will be updated periodically (annually if needed).

- Investment interest shall be budgeted conservatively.

- Multi-year revenue projections will be developed and updated annually.

- New sources of non-property-tax revenue should be actively explored at all times.

- Intergovernmental grant requests are subject to fiscal review before the application is submitted. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the City relating to the grant's purpose and to provide an overall budgetary review of grant proposals.

Operating Budget

The City's operating budget policy sets forth guidance with respect to balanced operating budgets, with an overriding goal of achieving structural balance over a longer-term period, recognizing that in certain periods revenues and expenditures may not equal. A balanced budget for the general fund is defined as revenues and other sources equal to or exceeding operating expenditures. Other sources can include that portion of general fund balance that is allowed to be budgeted for use per the City's fund balance policy. Balanced budgets for the enterprise funds are defined as providing sufficient revenues to support the operations of those funds, without subsidy from the general fund, and enterprise fund operating surpluses shall not be used to subsidize other City funds. Charges from Internal Service funds shall be sufficient to support such activities, with no trend of operating deficits.

Budget Transfer

The City's budget transfer policy provides guidance as to changes in adopted budgets. Under Wisconsin law, the budget may be amended only by a ⅔-majority vote of the Common Council. Such a majority is required both for additional appropriations and for changes/transfers between appropriations. Appropriations are defined as functional expenditure categories such as general government, public safety, etc. for the general fund, and the total fund budget for all other fund types. Transfers from contingency are considered changes in appropriations.

CITY OF JANESVILLE	Policy No. 75
	Page 1 of 5
CITY COUNCIL POLICY STATEMENT	
	Date Issued: 5/13/97
	Revised: 8/23/11
	4/13/15
General Subject: Administration	Effective Date: 4/13/15
Special Subject: Debt Management	Cancellation Date
	Supersedes

PURPOSE

To record and clarify the City Council's policy regarding the management and issuance of debt.

STATEMENT OF POLICY

In accordance with State Statutes, Chapter 67, the City is granted the authority to issue debt. The following practices and procedures shall be followed by the City:

1. Conditions for Debt Issuance

   The City shall limit the issuance of debt to capital outlays (and costs associated with the capital outlay), including the acquisition or construction of capital facilities, infrastructure, and other capital assets.

2. Capital Improvement Program

   The Administration prepares an updated Capital Improvement Program on a bi-annual basis. The Capital Improvement Program will indicate the source of funding for all proposed capital projects and/or assets.

   The first year of the Capital Improvement Program will be included in the Annual City Budget. Those projects and/or assets which require financing through the issuance of debt will be reconsidered when the City Council undertakes the Debt Issuance process.

3. General Obligation Debt

   The City will issue General Obligation Debt for those capital improvement projects benefiting the City as a whole. Such debt would be secured by the full faith, credit, and taxing powers of the City.

   Every capital improvement project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project, including the impact of the proposed project on the annual operating budget.

Whenever possible, the City will finance capital improvement projects by using self-supporting Revenue or Special Assessment Bonds. Such Bonds assure the greatest degree of equity because those who benefit from a project closely match those who pay for a project.

3.1 Debt Limit
Section 67.03(1) of the Wisconsin Statutes provides that the amount of indebtedness of a municipality shall not exceed five (5) percent of the equalized assessed valuation of the taxable property in the municipality.

The City shall limit outstanding General Obligation Debt to less than 2.5% percent of the equalized assessed value. The City Council, by super majority vote, may increase the stated debt limit.

The City recognizes the importance of issuing debt prudently and should first determine its long-term financial capability to repay.

4. Revenue Debt
To promote taxpayer equity, the City will consider the issuance of Revenue Debt for capital improvement projects providing benefits to specific users. Such debt would be secured by revenues of the financed project.

However, if the projected revenues will not be sufficient to meet the corresponding annual debt service payments or the credit rating of the proposed Revenue Debt instrument1 would result in an adverse interest rate, the City would consider issuing General Obligation Debt for such projects.

5. Debt Service Limitations
Annual General Fund Debt Service payments for General Obligation Debt, exclusive of that funded by enterprise

operations or debt approved exceeding the debt limit described above, shall not exceed 20 percent of annual General Fund expenditures.

6. Review of Financing Alternatives
The City will seek all possible Federal and State reimbursements for mandated projects and/or programs.

The City will encourage pay-as-you-go financing of capital improvement projects where feasible. However, it will strive to maintain a balanced relationship between issuing debt and pay-as-you-go financing to ensure property tax stabilization.

The City shall limit borrowing for the annual street resurfacing/reconstruction program to $950,000 per year, with a goal of reducing that amount. Borrowing in excess of $950,000 per year for this purpose may be approved only upon a supermajority vote of the City Council.

The City will seek to maintain a sufficient General Fund cash balance in order to prevent the need for external cash flow borrowing.

7. Timing of Debt Issuance
Debt should be issued when projects are or will be for bid or construction start within 6 months. Projects funded with borrowed funds should be completed within 24 months from of the issuance of debt. If funds are not expended within 18 months, consideration should be given to reprogramming the funds for another approved project.

8. Characteristics of Debt Issuance
The issuance of debt for funding annual general operating expenditures will be prohibited.

The average maturities of long-term obligations shall only exceed 10 years if the expected useful life of the capital project or asset financed justifies it.

The scheduled maturities of long-term obligations should not exceed the expected useful life of the capital project or asset(s) financed.

9. Debt Issuance Process
The City will use competitive sales as the primary means of selling long-term bonds and notes. Negotiated sales will be permitted only if there is evidence of volatile market conditions, complex security features, or other unique factors.

Bonds - The issuance of bonds requires the City Council to follow various procedures identified in State Statutes 67.05. These include separate Council actions to authorize and establish the bond details and are comprised of, but not limited to, setting the final amount of bonds to be issued.

Promissory Notes - Although State Statutes 67.12 permits the City Council to combine the authorization and details of a note issue into one Council action, the Council will adopt the aforementioned issuance procedure required for bonds.

10. Professional Services
The City shall retain an independent financial advisor for debt structuring, the rating review process, marketing debt issuances, sale and post-sale services, and to assist in issuing the City's official statement.

The City shall retain bond counsel for legal and procedural advice on all debt issuances, which include determining the legal authority to issue the proposed debt and that it qualifies for tax exempt status.

11. Rating Agency Relations

The City will maintain effective communications with financial and debt rating agencies concerning the City's financial condition. The City's Comprehensive Annual Financial Report shall be distributed to the rating agencies.

Additionally, the City recognizes there are several key debt ratios used by investors and financial rating analysts when reviewing the City's credit worthiness. Therefore, the City will address the following ratios:

- ☐ Debt Per Capita.
- ☐ Debt as a Percentage of Equalized Property Value.
- ☐ Annual Debt Service as a percentage of annual General Fund operating expenditure appropriations.

The City will comply with the Security and Exchange Commission’s reporting requirements concerning "Continuing Disclosure Undertakings".

12. Bond Rating Goals

The City will seek to maintain and improve its bond rating to minimize borrowing costs and to ensure access to credit markets.

Government Finance Officers Association

BEST PRACTICE

Debt Management Policy

Notice:

Issuers of municipal securities should be aware of new disclosure requirements in SEC Rule 15c2-12, effective on securities issues on or after February 27, 2019. GFOA recommends issuers consult counsel prior to the effective date to determine how these changes may impact debt portfolios and debt management policies and procedures.

The Continuing Disclosure Agreements will include affirmation by governments for debt issues on or after February 27, 2019 to:

- disclose additional information about material financial obligations (e.g., guarantees, capital leases, and bank loans) for securities entered into after the effective date
- make event filings of any material changes reflecting financial difficulties should any occur to outstanding or new financial obligations

BACKGROUND:

Debt management policies are written guidelines, allowances, and restrictions that guide the debt issuance practices of state or local governments, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner. Debt management policies should be written with attention to the issuer□s specific needs and available financing options and are typically implemented through more specific operating procedures. Finally, debt management policies should be approved by the issuer□s governing body to provide credibility, transparency and to ensure that there is a common understanding among elected officials and staff regarding the issuer□s approach to debt financing.

RECOMMENDATION:

GFOA recommends that state and local governments adopt comprehensive written debt management policies. These policies should reflect local, state, and federal laws and regulations. To assist with the development of these policies GFOA recommends that a government□s Debt Management Policy (Policy) should be reviewed periodically (and updated if necessary) and should address at least the following:

1. *Debt Limits*. The Policy should consider setting specific limits or acceptable ranges for each type of debt. Limits generally are set for legal, public policy, and financial reasons.

a. *Legal restrictions* may be determined by:

- State constitution or law,
- Local charter, by-laws, resolution or ordinance, or covenant, and
- Bond referenda approved by voters.

b. *Public Policies* will address the internal standards and considerations within a government and can include:

- Purposes for which debt proceeds may be used or prohibited,
- Types of debt that may be issued or prohibited,
- Relationship to and integration with the Capital Improvement Program, and
- Policy goals related to economic development, including use of tax increment financing and public-private partnerships.

c. *Financial restrictions or planning considerations* generally reflect public policy or other financial resources constraints, such as reduced use of a particular type of debt due to changing financial conditions. Appropriate debt limits can have a positive impact on bond ratings, particularly if the government demonstrates adherence to such policies over time. Financial limits often are expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:

- *Direct Debt, including general obligation bonds*, are subject to legal requirements and may be able to be measured or limited by the following ratios:
    - Debt per capita,
    - Debt to personal income,
    - Debt to taxable property value, and
    - Debt service payments as a percentage of general fund revenues or expenditures.

- *Revenue Debt* levels often are limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service), additional bond provisions contained in bond covenants, and potential credit rating impacts.
- *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrower□s creditworthiness, including a minimum credit rating, and the purpose of the borrowing issue. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the government□s own direct debt.
- *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.
- *Variable Rate Debt* should include information about when using non-fixed rate debt is acceptable to the entity either due to the term of the project, market conditions, or debt portfolio structuring purposes.

2. *Debt Structuring Practices*. The Policy should include specific guidelines regarding the debt structuring practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, short-term debt, and limitations as to when, and to what extent, each can be used, and

- Other structuring practices should be considered, such as capitalizing interest during the construction of the project and deferral of principal, and/or other internal credit support, including general obligation pledges.

3. *Debt Issuance Practices*. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

- Selection and use of professional service providers, including an independent financial advisor, to assist with determining the method of sale and the selection of other financing team members,

- Criteria for determining the sale method (competitive, negotiated, private placement) and investment of proceeds,

- Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results,

- Criteria for issuance of advance refunding and current refunding bonds, and

- Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

4. *Debt Management Practices*. The Policy should provide guidance for ongoing administrative activities including:

- Investment of bond proceeds,
- Primary and secondary market disclosure practices, including annual certifications as required,
- Arbitrage rebate monitoring and filing,
- Federal and state law compliance practices, and
- Ongoing market and investor relations efforts.

5. *Use of Derivatives*. The Debt Management Policy should clearly state whether or not the entity can or should use derivatives. If the policy allows for the use of derivatives, a separate and comprehensive derivatives policy should be developed (see GFOA□s Advisory, Developing a Derivatives Policy and Derivatives Checklist).

Notes:

- Post Issuance Compliance Checklist
- Debt Issuance Checklist: Considerations When Issuing Bonds

The County of San Diego, CA was awarded the GFOA Award for Excellence for outsanding use of GFOA's Best Practice on Debt Management Policy. To learn more about the County's implementation process, please visit their award page.

References:

- GFOA Advisory: Using Variable Rate Debt Instruments, 2010.
- GFOA Advisory: Use of Debt-Related Derivatives Products, 2010.
- GFOA Derivatives Checklist, 2010.
- GFOA Best Practice: Selecting Bond Counsel, 2008.
- GFOA Best Practice: Selecting and Managing Municipal Advisors, 2014.
- GFOA Best Practice: Selecting Underwriters for a Negotiated Bond Sale, 2008.
- GFOA Best Practice: Post-Issuance Policies and Procedures, 2017.
- GFOA Best Practice: Primary Market Disclosure, 2017.
- GFOA/NABL Post Issuance Compliance Checklist, 2003.

- Debt Management Policy Examples
- *Benchmarking and Measuring Debt Capacity*, Rowan Miranda and Ron Picur, GFOA, 2000.
- *A Guide for Preparing a Debt Policy*, Patricia Tigue, GFOA, 1998.

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VILLAGE OF
McFarland

VILLAGE BOARD SUMMARY SHEET

MEETING DATE: **Wednesday, March 11, 2020**

SECTION: **Business**

DEPARTMENT: **Administration**

CONTACT:

AGENDA ITEM: **Discussion regarding schedule for future meetings.**

PREVIOUS ACTION:

ISSUE SUMMARY:
Looking ahead to our next several meetings we wanted to plan out and discuss our schedule in the future:

- March 25 - Likely to be cancelled unless something comes up.
- April 22 - First meeting after the election and seating of the new board. Likely we'll have this meeting and begin to plan out the 2020 Borrowing.
- May 27 - Likely we'll have this meeting and review the 2019 Audit.
- June 24 - Likely to be cancelled unless the two proceeding items linger or something else comes up.

We'll discuss more in the meeting but is meant to look out at our meeting schedule for the remainder of the first half of this year.

FINANCIAL/BUDGET IMPACT:

VILLAGE PLAN REFERENCE:

ORDINANCE REFERENCE:

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:

ATTACHMENTS:
None