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## Review and discuss 2012 budget

**REPORT PREPARED BY:** Chris Haltom and Paul Evert **DATE:** November 18, 2011

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**Good News!** Staff has received final numbers from the state for manufacturing properties full equated assessment roll. The information within this report shows that the village had more growth in assessed value in the past year than anticipated which allowed the tax rate to remain the same as last year's rate. There is no tax increase from the budget proposed by the administrator at the November 14<sup>th</sup> meeting.

**More good news!** Staff also received assessment ratio data and other data on tax levies from overlying taxing jurisdictions. When this data is put into the payment in lieu of taxes formula (a payment made by the water utility to the General Fund), these taxes increased by \$46,000 over the amount included in the proposed budget. Staff has used this amount to decrease reliance on fund balance in 2012.

To summarize both items above, staff is now showing no tax increase to taxpayers in Howard for 2012 and fund balance use in 2012 budget will be at \$154,000.

During the previous budget discussions, Trustee Steffen had several points of discussion that he would like to consider for the 2012 budget document. The following items will attempt to address each of those issues and attach a number for each to allow for reference in discussion on Monday night.

**1. Move \$65,000 from the General Fund (in the form of allocating salaries) to the Water Utility to capitalize on lower cost associated with a recent refinancing of utility debt.** Trustee Steffen was attempting to allow the water utility to absorb more costs which would keep the rates uniform in the utility, keep the General Fund from incurring a tax increase and possibly allow street resurfacing more funding.

At the October 24<sup>th</sup> meeting, Chris Haltom asked the village board to allow him to contract with a firm to perform a water rate study. The rate study has been underway since the beginning of November. The most recent review of our rates by the consulting firm (this is very preliminary and has not yet been completed) shows that water rates in Howard could be increasing by 13% in 2012 or about \$0.70 per thousand gallons; an increase of approximately \$3.50 per month to the average customer. The water utility debt

refinancing has helped prevent a larger increase in water rates. Unfortunately, the utility will not be maintaining the same rates as in 2011. Staff would not recommend increasing salary allocations to the water utility as this could result in an even higher rate increase.

**2. Increase building permit fees.** Trustee Steffen had suggested we maintain building permit fees at a range that is 10% lower than the lowest surrounding communities' fees. After discussion with our Code Enforcement Director, Jim Korotev, by creating a fee that matches Trustee Steffen's suggestion, the budget could increase building permit fees by another \$45,000. The board will need to decide if the fee should be increased more than currently proposed (The current draft budget contains a doubling of the fees) and an appropriate resolution would be brought back to the board at another meeting this year.

If the board desires to increase the fee more than currently proposed, the next decision would be what to do with these funds. The funds could be used as follows:

- a) Reduce reliance on fund balance
- b) Add funding to street resurfacing
- c) Lower the tax levy

**3. Impose mandatory furlough days for union employees.** Trustee Steffen had suggested that the village impose three furlough days in 2012 to help offset increases in union pay and benefits in 2012. Staff has calculated a three-day furlough at a total savings of \$13,800 or about \$4,600 per day furloughed. Non-union employees furloughed would save approximately the same per day or \$4,500. Not all of these savings would be realized within the General Fund as some positions are allocated to other funds.

**4. Allocate an additional \$14,000 from the Golf Course to the Capital Project Fund.** Trustee Steffen suggested the village make this transfer from funds left over from the WPS right of way money received in 2011 by the golf course. Such a transfer would be used to increase funding of street resurfacing in 2012 and would not have an effect on the tax levy.

**5. Create a repayment schedule for TIF #5 costs associated with Velp Avenue.** Trustee Steffen suggested staff create a mechanism to allow the Capital Projects Fund to be repaid from the TIF once the TIF is in a positive cash flow position in future years. He suggested some type of amortization schedule could be generated to account for this possibility.

Staff annually accounts for TIF spending and accumulates these costs for future repayment plans. Before being able to create an amortization schedule, the final total costs will need to be determined as well as future build out in terms of the two TIF projects (Vandervest Harley and Brunette's apartments). The trustee's suggestion is something that is routinely performed with TIF tracking of accumulated cost and subject to annual audit by the village's contracted audit firm.

**6. Police squad replacement schedule.** Trustee Steffen stated that he would not support making another police squad vehicle replacement purchase without having a detailed analysis presented to him that shows these vehicles need to be replaced at 100,000 miles. His comments were forwarded to Ed Janke, Director of Public Safety.