CITY OF STOUGHTON
FINANCE DEPARTMENT
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Date: February 6, 2019

To: Finance Committee

From: Jamin Friedl, CPA
Director of Finance/Comptroller

Subject: Excess Construction Fund Balance

This memo provides a brief summary related to Item 7 on the February 12, 2019 Finance Committee Agenda.

Following completion of the 2019 City of Stoughton Budget and year-end accounting process, two major items impacting the City's Construction Fund (Fund 400) and Stormwater Fund (224) were identified.

1. During the 2019 budgeting process it was determined the 2019 Stormwater projects would be fully funded through rates and grant monies; however, following the close out of the Stormwater and Construction Funds for 2018 it was identified that this is not the case.

   Previous practice was to budget and track all Stormwater related construction costs in the Construction Fund despite the fact Stormwater is a separate fund independent from the Construction Fund. This resulted in the Stormwater Fund owing the Construction Fund approximately $400,000 at the close of 2018, and will now need to borrow an additional $450,000 in 2019 to fund its budgeted capital expenditures.

2. While reviewing the overall impact this will have on the Stormwater Fund, it was also identified that the Construction Fund has been carrying a fund balance in excess of $1.6 million the last five years. It is forecasted that the 12/31/2018 Construction Fund balance will be approximately $2.2 million after taking into consideration all outstanding retainage amounts, remaining work to be completed and prior year carryovers. Based on this information the City of Stoughton Finance Department is requesting the following from the Finance Committee:
   a. Approve utilizing $450,000 in excess fund balance to fund the 2019 Stormwater capital projects budget

b. Determine a minimum fund balance to be maintained in the Construction Fund after all retainages, remaining budgeted project work to complete, prior year carryovers, etc. have been taken into consideration.
c. Utilize the excess fund balance over the minimum amount to smooth out subsequent year debt service amounts in an attempt to eliminate major swings in future tax rates.

The Finance Department will analyze the Construction Fund balance January/February of each year to forecast the amounts available to smooth the debt service costs for the next three years and bring that information to the Finance Committee for approval. During the annual budget process, this analysis will be repeated to ensure the minimum fund balance in the Construction Fund is being met and to determine the final amount to be deposited into the Debt Service Fund in the subsequent year.

The following pages are summarized as follows:

- Page 3 – Construction Fund Balance analysis as of 12/31/18
- Page 4 – Forecasted impact on tax rates for 2020-2022 before and after proposed smoothing
- Page 5 – Final 2019 borrowing summary by Fund
- Pages 6 – 8 – Supporting documentation as referenced in the preceding pages

| | 400 CONSTRUCTION FUND | | | | | | |
|---|---|---|---|---|---|---|---|
| | BALANCE AS OF 12/31/2012 | BALANCE AS OF 12/31/2013 | BALANCE AS OF 12/31/2014 | BALANCE AS OF 12/31/2015 | BALANCE AS OF 12/31/2016 | BALANCE AS OF 12/31/2017 | BALANCE AS OF 12/31/2018 |
| 12/31/12 Cash Balance | $ 1,467,058 | $ 822,653 | $ 1,969,494 | $ 1,795,030 | $ 1,912,938 | $ 4,646,398 | $ 3,055,998 |
| 12/31/12 Fund Balance | $ 1,380,795 | $ 960,036 | $ 1,698,684 | $ 1,672,222 | $ 1,882,845 | $ 4,548,651 | $ 2,681,659 A |

| | |
|---|---|
| 5 Year Average Cash Balance 2012-2016 | $ 1,593,435 |
| 5 year Fund Balance 2012-2016 | $ 1,518,916 |

| | | |
|---|---|---|
| A - 12/31/18 Fund Balance as of 2/6/19 | $ 2,681,659 | |
| Less: Retainage | $ (28,065) | (1) |
| Less: Estimated Work Remaining | $ (30,000) | (2) |
| Less: Carryover Amounts | $ (398,449) | (3) |
| Less: Excess to 2019 Debt Issue | $ (450,000) | (4) |
| Less: Excess to Earmark for Debt Service | $ (500,000) | |
| Estimated 12/31/18 Ending Fund Balance | $ 1,275,145 | |

(1) - Consists of Contract 1-2018 totaling $17,073.85 and Contract 2-2018 totaling $10,991.04
See Attachments A and B for details

(2) - Consists of remaining amounts on Contract 2-2018 - See Attachment A for details

(3) - Consists of the following amounts

| | |
|---|---|
| 2017 Preventative Maint | $ 117,929 |
| 2018 Preventative Maint | $ 29,709 |
| 2018 Emerald Ash Borer | $ 150,812 |
| Contingency | $ 100,000 |
| | $ 398,450 |

(4) - Consists of Storm Water related debt not originally budgeted for in 2019 - See Attachment C for details

- Represent amounts to determine

| | Forecasted Debt Impact Prior to Using Excess 400 Funds as Presented at the 1/22/19 Finance Committee Meeting | | | | Forecasted Debt Impact After Using Excess 400 Funds | | | |
|---|---|---|---|---|---|---|---|---|
| | Forecasted Debt Service | Forecasted Assessed Value | Forecasted Debt Service Cost per $100,000 Assessed Value | Forecasted Change from Prior Year | Forecasted Debt Service | | Forecasted Debt Service Cost per $100,000 Assessed Value | Forecasted Change from Prior Year |
| 2019 | $ 3,103,117 | $ 1,079,891,509 | $ 287.35 | 9.09% | $ 3,103,117 | | $ 287.35 | 9.09% |
| 2020 | $ 3,603,925 | $ 1,096,089,879 | $ 328.80 | 14.42% | $ 3,453,925 | A | $ 315.11 | 9.66% |
| 2021 | $ 3,869,957 | $ 1,112,531,227 | $ 347.85 | 5.79% | $ 3,794,957 | B | $ 341.11 | 8.25% |
| 2022 | $ 4,483,433 | $ 1,129,219,195 | $ 397.04 | 14.14% | $ 4,208,433 | C | $ 372.69 | 9.26% |

| | Excess Funds Used |
|---|---|
| A | $ 150,000 |
| B | $ 75,000 |
| C | $ 275,000 |
| | $ 500,000 |

| | Forecasted Total Impact Prior to Using Excess 400 Funds as Presented at the 1/22/19 Finance Committee Meeting | | | Forecasted Total Impact After Using Excess 400 Funds | | |
|---|---|---|---|---|---|---|
| | Forecasted Total Levy | Forecasted Total Cost per $100,000 Assessed Value | Forecasted Change from Prior Year | Forecasted Total Levy | Forecasted Total Cost per $100,000 Assessed Value | Forecasted Change from Prior Year |
| 2019 | $ 9,032,362 | $ 836.41 | -0.99% | $ 9,032,362 | $ 836.41 | -0.99% |
| 2020 | $ 9,604,412 | $ 876.24 | 4.76% | $ 9,454,412 | $ 862.56 | 3.13% |
| 2021 | $ 9,943,408 | $ 893.76 | 2.00% | $ 9,868,408 | $ 887.02 | 2.84% |
| 2022 | $ 10,630,577 | $ 941.41 | 5.33% | $ 10,355,577 | $ 917.06 | 3.39% |

| 2019 Borrowing Summary | | |
|---|---|---|
| **2019 Construction Fund Budget** | $ | 3,010,979 |
| Less: Special Assessment Funding | $ | (150,000) |
| Less: Excess Fund Balance | $ | (450,000) |
| Remaining Balance to Fund | $ | 2,410,979 |
| **Forecasted Debt** | $ | 2,440,000 |
| | | |
| **2019 Capital Outlay Fund Budget** | $ | 1,886,010 |
| Less: Grant Funding | $ | (92,679) |
| Less: General Fund Transfer | $ | (150,000) |
| Less: Township Transfer | $ | (55,000) |
| Remaining Balance to Fund | $ | 1,588,331 |
| **Forecasted Debt** | $ | 1,610,000 |
| | | |
| **2019 Storm Water Fund Budget** | $ | 866,438 |
| Less: Grant Funding | $ | (250,000) |
| Less: Rates | $ | (166,438) |
| Remaining Balance to Fund | $ | 450,000 |
| **Forecasted Debt** | $ | 460,000 |
| | | |
| **2019 TIF Related Debt** | $ | 2,920,000 |
| | | |
| **Total Forecasted Debt** | $ | 7,430,000 |

Attachment A

**City of Stoughton**
**Academy Street Reconstruction - Contract 2-2018**
**Preliminary Breakdown of Construction Costs Through Pay Request No. 4**

| Item | Sewer Utility | Water Utility | Storm Sewer | Street | Assessable Utilities * | Total |
|---|---|---|---|---|---|---|
| Sanitary Sewer Bid Items | $10,920.00 | | | $1,400.00 | $17,000.00 | $29,320.00 |
| Water Main Bid Items | | $7,600.00 | $16,784.00 | $1,500.00 | $14,462.50 | $40,346.50 |
| Storm Sewer Bid Items | | | $181,152.00 | | | $181,152.00 |
| Street Construction Bid Items | | | | $402,517.73 | | $402,517.73 |
| Traffic Control | $0.00 | $0.00 | $1,000.00 | $3,500.00 | | $4,500.00 |
| Erosion Control | $0.00 | $0.00 | $500.00 | $1,000.00 | | $1,500.00 |
| Adjustment for Sidewalk | $0.00 | $0.00 | | $0.00 | | $0.00 |
| Adjustment for Asphalt Trench Patch | $0.00 | $0.00 | | $0.00 | | $0.00 |
| **Total** | **$10,920.00** | **$7,600.00** | **$199,436.00** | **$409,917.73** | **$31,462.50** | **$659,336.23** |
| Adjustment for Retainage | $271.92 | $189.25 | $4,966.26 | $10,207.58 A | $783.46 A | $16,418.48 |
| Total Cumulative Cost Through this Pay Request | **$10,648.08** | **$7,410.75** | **$194,469.74** | **$399,710.15** | **$30,679.04** | **$642,917.75** |
| Previous Pay Request Payments | $10,552.96 | $7,344.55 | $192,346.14 | $283,602.90 | $30,405.00 | $524,251.57 |
| **Total Amount due this Pay Request** | **$95.12** | **$66.20** | **$2,123.60** | **$116,107.25** | **$274.04** | **$118,666.18** |

* These costs are assessable to Olsen-Hill Partners.

$\Sigma$ A's = $10,991 Retainage

| | |
|---|---|
| Contract Amount | $675,000 |
| Incurred to Date | $659,336 |
| Remaining | $15,664 |
| Contingency | $10,000 |
| | ≈ $30,000 |

Attachment B

**City of Stoughton**
**2018 Street and Utility Reconstruction - Contract 1-2018**
**Preliminary Breakdown of Construction Costs**

| Item | Sewer Utility | Water Utility | Storm Sewer | Street | Total |
|---|---|---|---|---|---|
| Sanitary Sewer Bid Items | $288,718.80 | | | | $288,718.80 |
| Water Main Bid Items | | $248,804.00 | | | $248,804.00 |
| Storm Sewer Bid Items | | | $183,753.00 | | $183,753.00 |
| Street Construction Bid Items | | | | $905,643.51 | $905,643.51 |
| Traffic Control | $3,000.00 | $1,000.00 | $4,200.00 | $9,700.00 | $17,900.00 |
| Erosion Control | $2,200.00 | $1,200.00 | $2,500.00 | $8,370.00 | $14,270.00 |
| Adjustment for Sidewalk | $3,300.00 | $2,640.00 | | ($5,940.00) | $0.00 |
| Adjustment for Asphalt Trench Patch | $24,222.00 | $14,344.00 | | ($38,566.00) | $0.00 |
| Adjustment for South Alley Paving | $5,866.00 | | | ($5,866.00) | $0.00 |
| Adjustment for Franklin Street Paving | $3,578.00 | | | ($3,578.00) | $0.00 |
| Adjustment for Morris Street Paving | $9,409.00 | | | ($9,409.00) | $0.00 |
| Adjustment for Henry Street Paving | $6,662.00 | | | ($6,662.00) | $0.00 |
| **Total** | **$346,955.80** | **$267,988.00** | **$190,453.00** | **$853,692.51** | **$1,659,089.31** |
| Adjustment for Retainage | $6,939.12 | $5,359.76 | $3,809.06 | $17,073.85 A | $33,181.79 |
| Total Cumulative Cost Through this Pay Request | **$340,016.68** | **$262,628.24** | **$186,643.94** | **$836,618.66** | **$1,625,907.52** |
| Previous Pay Request Payments | $263,193.01 | $155,282.44 | $136,809.43 | $536,782.86 | $1,092,067.74 |
| **Total Amount due this Pay Request** | **$76,823.67** | **$107,345.80** | **$49,834.51** | **$299,835.80** | **$533,839.78** |

$\Sigma A^3$ = $17,074 Retainage

Attachment C

## INCOME STATEMENT

| | 2020 | | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Charges for services | $ 680,800 | 5% increase assumed | $ 648,349 | $ 609,384 | $ 602,208 |
| **Operating Expenses** | | | | | |
| Operation and maintenance | $ 399,100 | 3% increase | $ 387,477 | $ 438,378 | $ 360,123 |
| Depreciation | $ 136,700 | | $ 125,334 | $ 96,453 | $ 77,868 |
| Total Operating Expenses | $ 535,800 | | $ 512,811 | $ 534,831 | $ 437,991 |
| **Nonoperating Revenues (Expenses)** | | | | | |
| Investment income | $ 5,000 | | $ 5,000 | $ 11,116 | $ 5,411 |
| Interest expense | $ (36,900) | | $ (25,573) | $ (28,699) | $ (28,310) |
| Grants | $ 54,000 | | $ 250,000 | $ 27,179 | $ 8,706 |
| Total Nonoperating Revenues (Expenses) | $ 22,100 | | $ 229,427 | $ 9,596 | $ (14,193) |
| **Net Income Before Contributions/Transfers** | $ 167,100 | | $ 364,965 | $ 84,149 | $ 150,024 |

## STATEMENT OF CASH FLOWS

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Received from customers | $ 680,800 | $ 648,349 | $ 565,522 | $ 644,233 |
| Expenditures | $ (399,100) | $ (387,477) | $ (435,146) | $ (363,335) |
| Net Operating Activities | $ 281,700 | $ 260,872 | $ 130,376 | $ 280,898 |
| **Investing Activities** | | | | |
| Investment income | $ 5,000 | $ 5,000 | $ 11,116 | $ 5,411 |
| **Capital and Related Financing Activities** | | | | |
| Debt issued | $ 200,000 | $ 450,000 | $ - | $ 575,000 |
| Debt retired | $ (233,600) | $ (182,289) | $ (170,970) | $ (119,676) |
| Interest paid | $ (36,900) | $ (25,573) | $ (33,217) | $ (22,682) |
| Capital assets | $ (340,700) | $ (866,438) | $ (387,937) | $ (175,125) |
| Grants | $ 54,000 | $ 250,000 | $ 27,179 | $ 8,706 |
| Net Capital and Financing Activities | $ (357,200) | $ (374,300) | $ (564,945) | $ 266,223 |
| **Net Change in Cash Flows** | $ (70,500) | $ (108,428) | $ (423,453) | $ 552,532 |
| **Cash Beginning of Year** | $ 114,815 | $ 223,243 | $ 646,696 | $ 94,164 |
| **Cash End of Year** | $ 44,315 | $ 114,815 | $ 223,243 | $ 646,696 |