

Special Meeting of the Oregon Village Board,  
Monday, June 12, 2006

1. **CALL TO ORDER.** The special meeting of the Oregon Village Board was called to order by President Luebke at 5:04 p.m. on Monday, June 12, 2006.
2. **ROLL CALL.** Jerry Bollig, Jon Lourigan, Jerry Luebke, Hans Noeldner and Eric Poole. Absent: Tom Eithun and Steve Staton. Also present: Village Administrator Mike Gracz, Finance Director Renee Hoeft and Village Clerk Georgia Johnson.
3. **PUBLIC APPEARANCES AND PUBLIC HEARINGS.**
  - a) **Presentation of 2005 Audit Report – Hawkins, Ash, Baptie and Company.** Mike Foth, of Hawkins, Ash, Baptie and Company, presented the draft 2005 audit report noting that a few things have not been completed that will be in the final report. The Management's Discussion and Analysis (following pg. 5 will be completed by Village staff. It will consist of a lot of summary information including an overview of the financial statements, a budgetary section and financial analysis of the Village's funds and Foth encouraged Board members to review it when it has been completed. Pg. 16 is a balance sheet of government funds and Foth explained the reserved and unreserved funds. Pg. 18 is statement of revenues, expenditures and changes in fund balances. It was noted 2/3rds of Village revenue is taxes and intergovernmental revenue. The Village's Fund balance total is \$1.8M which is a very good performance. Pg. 20 shows the enterprise funds. Hoeft noted pgs. 56-77 indicate the individual funds and the Board needs to discuss if it wants the 2004 amounts put on. There was some discussion. Pg. 21 consists of the expenses of enterprise funds. Hoeft pointed out the capital contributions consist of impact fees, sewer connection fees and developer's contributions for infrastructure. There was discussion. Beginning on pg. 25 are a number of notes to the financial statements and Foth stated some of the notes are lengthy but contain a lot of detailed information. Note #4 regarding capital assets Foth stated last year staff was in the process of accumulating historical data and these are in the adjustment's column. Hoeft stated they think they have all the infrastructure but may come across some that need to be added. There was discussion. Hoeft noted the Village used the same value Dane County used per sq.ft. for land value. The \$62.1M adjustment includes stormwater ponds, parking lots, cemetery land, etc. There was discussion. Luebke asked (from pg. 31) whether the Village was exposed to custodial risk? Foth stated the Village has a collateral agreement with the bank and there was some discussion. Hoeft went over the issues with the Federal Reserve Statement at the end of the year noting that they are supposed to guarantee at \$10M. There was discussion. Pg. 45 shows the budget comparisons required by GASB. Hoeft stated the amounts appear to her to be wrong and she will check into that. Foth continued to go through the report noting that the Board needs to discuss and decide what options it wants included in the reports on pg. 47 thru pg 50. He noted that from pg. 67 to the end there is a lot of detailed information. Pg. 52 contains non-major government funds. There was discussion as to how these funds could change from non-major to major. Following the presentation, there was discussion regarding when the final audit will be ready for approval. It was concluded that approval of the report would be placed on the July 17<sup>th</sup> Board meeting. The Board requested receiving the audit with enough time for review prior to the meeting. There was some discussion.
  - b) **Acceptance of 2005 Audit.** It was determined to wait until the final audit is prepared before accepting. It will be on the July 17<sup>th</sup> Board agenda for approval.

President Luebke turned the meeting over to the Finance & Building Utilities Chairperson Noeldner. Certain items were taken out of order to accommodate persons in the audience. For ease in reading, items are listed as they appear on the agenda.

4. **NEW BUSINESS.**

- a) Investments, Connection Fees, Impact Fees, Building Permits and Discussion of Impact Fee Law Changes. Provided for informational purposes. Hoeft noted the cash investments are from January to April 2006. The total cash investment at the end of 2005 is \$9.7M. Noeldner asked what the DNR replacement is? Hoeft advised that it is required by the Bond issue for the sewer utility. Because the Village has a Clean Water Fund loan it has to put \$5,566.67 into this fund every month and that is what can be spent on certain equipment in the sewer plant if it needs to be replaced. There was some discussion. Hoeft explained how the \$400,000 cash on hand was calculated and how that amount was determined. The proposed 2006 rates include the connection fees which have been collected and the cash balance had built up from 1996 through 2001 and that money was being kept for settlement of the Joe Daniels interceptor sewer claim. There was some discussion. Hoeft referred to the summary of the building permits from 2003 through 2006, the 2006 connection fees and impact fees balances, a reconciliation of the water fees, and the summaries of the impact fees. Hoeft noted that new legislation requires the Village to spend all impact fee revenue with 7 years from being collected. Hoeft went over the water impact fee reconciliation noting that a portion of the fees was used to pay the debt payment on the water tower. There is now \$348,000 available, the Village has collected \$324,000 in 2005 and \$63,000 in 2006 to date. There was discussion regarding what impact fees can be used for, it was noted the water impact fees cannot be used for building a new lab wastewater treatment plant, the monies can be used for a new water tower and a new well, the need to keep track of the impact fees to make sure the Village is spending the money within the 7 years, the difference between connection fees and impact fees, whether sewer connection fees can be used to pay for a portion of the lab, the use of the connection fees to keep the sewer fees down and so forth. Hoeft noted that the Village Board implemented Library impact fees in 2004 which means that the Board will have to decide whether to build a new Library or build an extension to the current Library to spend the collected monies within the 7 years from being collected. Hoeft stated if the Board does not intend to use the impact fees in this way the funds will have to be refunded. Discussion continued. Noeldner expressed concerns with the drop in building permits and there was some discussion.
- b) Extension of Assessor's Contract. Gracz stated that staff is looking to extend the assessor's contract, the auditor's contract and to select an administrator for the Section 125 Plan which goes into effect 1/1/07. Hoeft noted that we should be doing RFP's for the assessor and auditor contracts but time does not allow for that with the hiring of a new finance director and so forth. It was also felt by staff that the new finance director should be involved in selecting a new auditor. **Bollig moved, second by Lourigan, to extend the assessor's contract and the auditor's contract and to authorize staff to select an administrator for the Section 125 Plan. Motion carried 5-0.**
- c) Extension of Auditor's Contract. Approved in b) above.
- d) Discuss 2007 Budget Schedule and Overview. Gracz referred to item #4(d) which was distributed prior to the meeting noting it shows the Village using the impact fees for debt service where if there were no impact fees they would have to use tax dollars. Hoeft referred to the "assessed value" estimate in the packet and noted that based on the numbers received from the assessor and from the state, it is projected the new construction will be about \$35M so the increase from that amount would be 6.36%--that is what the Village's tax levy can increase based on the new freeze. The Village's total assessed value is increasing \$38M so the Village's total levy can then be \$3.5M. Hoeft referred to the overall tax levy sheet noting that the majority of the increases will go to wages, health insurance increases and retirement, as well as gas, oil and heating costs. Hoeft went over the second page of the draft 2007 budget stating they will have a better idea in July. There was some discussion.

- e) Review of Initial Scenario for Sewer Rate Review and Schedule Tour of WWTP Lab with Public Works Director. Hoeft gave a brief history of the State Trust Fund loan taken out last December for the sewer interceptor project which would help pay for the developer's share of the Joe Daniels settlement (\$1.5M). The loan amount drawn was \$1.2M. Based on the agreement with the developers they will be making a payment to the Village by June 30, 2006 of \$900,000. In Lycon's agreement they are required to pay sewer connection fee in the amount of \$211,000 which is due within 30 days of the Village letting the contract to expand the sewer up to Lycon's property which is expected to happen June 19. The \$211,000 amount has a construction index so every month that is put off, that amount goes up. The cash on hand for the Village at the end of May was \$857,000 for a total cash available of \$1.9M. Staff has been discussing whether to use the cash and pay off the \$1.2M loan, or if there is a sewer project the Village would need to borrow for it would make sense to keep the available cash on hand and not pay the \$1.2M loan at this time. The interest rate of the \$1.2M loan is 4.25% with a 10 year repayment schedule. The current rate for State Trust Fund loans is now at 5.5%. That means the Village will not be able to borrow at the low interest rate in the future which would be quite a large interest expense amount. Hoeft stated if the Village wanted to go ahead with the WWTP lab, it would make sense to not pay off the \$1.2M loan at this time, but leave the sewer interceptor loan on the books at 4.25% and use the cash from the developers and Lycon to pay for the lab. Back in 2003 the Village sent out RFP's to build a lab building for the sewer treatment plant and to do some modifications to the digester, the pump and the aerators and at that time because of the numbers it was decided not to do the lab. Hoeft stated at that time the cost was estimated at \$555,000 for the lab and it is estimated that the cost at this time would be \$700,000. Hoeft stated if Board members have not visited the plant it would be a good idea to visit it and a time would be set up for that to happen. Hoeft went over the reasons for needing a new lab which is a very small space right now for three employees with the lab and break room being the same space with an open shower area. This is just for initial discussion and setting up a time for a walk through to see what needs to be done. Hoeft noted that the sewer rate adjustment has been calculated based on keeping \$700,000 for building a new lab. There was discussion including options for repaying the current State Trust Fund Loan, the fact that the sewer rates have not been increased since August 2001, there are no other major projects anticipated, etc.

Hoeft went over the sewer utility schedules including the monthly bill comparison (noting a \$.65 increase for an average residential), the mortgage revenue bond requirements noting the net earnings per year have to be \$735,085, the future forecast which will continue to be reviewed, the actual expenses from 2002 through 2005 and the 2006 forecast, the allocation of operating and maintenance expenses, the annual debt and allocations, the fixed asset and expense worksheet done by the engineer, the calculation of the volume charge, the calculation of minimum monthly charge, ending with Schedule 13 on pg. 16 which indicates the total increase at \$36,400. There was considerable discussion including what to do regarding payment of the State Trust Fund, why the proposal for the lab was turned down previously, whether additional staff would be necessary if the lab is built, the need to look at the concerns addressed previously and make sure all necessary equipment needed is included in the project, the need to get input from Public Works Director Below, the fact that the 2006 budget has \$500,000 included for this project, whether the estimated cost of \$700,000 includes all the equipment, the SCADA system has to be connected to the plant, no need to keep the full \$1.2M amount, sewer utilities cash on hand, keeping the amount of \$400,000 cash on hand, the requirement of DNR replacement fund, the need to keep the cost at \$300,000, it was noted the sewer utility issues were put on hold until the sewer interceptor issues were resolved, the fact that the Village has until June 30<sup>th</sup> of 2007 to make a decision on the State Trust Fund loan monies, investing the monies in CD's, having the plans updated and so forth. It was felt the Public Works Director needs to be included in discussions regarding the plant so this will be on the next Board agenda.

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- f) Carpet for Senior Center Computer Room and Review of Senior Center Purchases. It was noted that the Senior Center does not have this in the budget and Gracz advised they would find money in the Village budget to cover the cost. The COA is paying for the update of the computers but not the carpet. There was discussion regarding the condition of the tile and the safety concerns involved. **Bollig moved, second by Lourigan, to approve the Senior Center's request for the purchase of new carpet for the computer room. Motion carried 5-0.**
  - g) Authorize Staff to Begin Process for Selecting Administrator for Section 125 Plan. See item #b) above.
  - h) 2006 Budget Transfer #2. Hoeft advised this budget transfer is mainly all the wage changes. When the 2006 budget was completed the Union contract was not settled so an adjustment amount was placed in one line item and this transfer allocates the wages out. Hoeft went over the items page by page. **Luebke moved to approve Budget Transfer #2-2006. Second by Poole. Motion carried 5-0.**
  - i) Special Personnel, Public Safety and Protection Committee to begin at 9:45 a.m. on June 14<sup>th</sup>. For informational purposes. Gracz advised that he would like to start the meeting 15 minutes earlier than noted in order to go over some things before the interviews start.
  - j) Community Development Authority Meeting – June 14<sup>th</sup> at 7:00 a.m. re: Gary Gorman's Red Brick Project. Gracz invited the Board members to attend the CDA meeting on Wednesday. There was some discussion regarding the possibility for not having a quorum.
5. **ADJOURNMENT.** At 7:11 p.m., Bollig moved, second by Lourigan, to adjourn. Motion carried 5-0.

Respectfully submitted,  
Georgia Johnson  
Village Clerk