



# **2025 Budget and Bond Levy Discussion**

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October 21, 2024

# Agenda

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- **Preliminary Levy Components**
- **2025 General Fund Operating Budget Overview**
- **Outstanding Bonds**
- **Cash Balance Review**
- **The Water Fund Issue**
- **Summary / Recommendations**

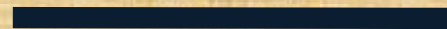


**CITY OF COLOGNE  
RESOLUTION NO. 24-28  
APPROVING THE 2025 PRELIMINARY TAX  
LEVY  
AND GENERAL FUND BUDGET**

- General Fund Tax Levy - \$1,126,057
- Bond Debt Service Levy - \$ 936,897
- Total 2025 Tax Levy - \$2,062,954

City must adopt a preliminary levy by Sept 30.

- ✓ The General Fund Levy is used for day-to-day operation of the City
- ✓ The Bond Debt Levy is used to make the Debt payments.
- ✓ The Final Levy is adopted in December and can not be greater than the Preliminary Levy



# General Fund Highlights

- Budgeted Expenses Increase over 2024 by \$112,000 – a 10% increase and includes:
  - 3% increase on Salary Scale and all employees went up one step
  - Police Contract has increased from \$51,000 in 2022 to \$180,000 in 2025
  - Added \$45,000 in Parks for improvements
  - Community Development has \$10k for Glad Days and \$8k for quarterly newsletter
  - Reserve Account tied to Capital Equipment has \$110,000 Added

# General Fund Revenue

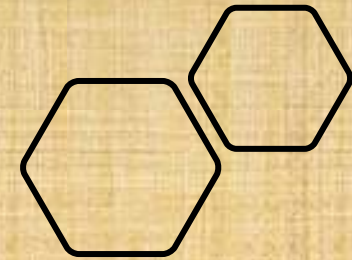
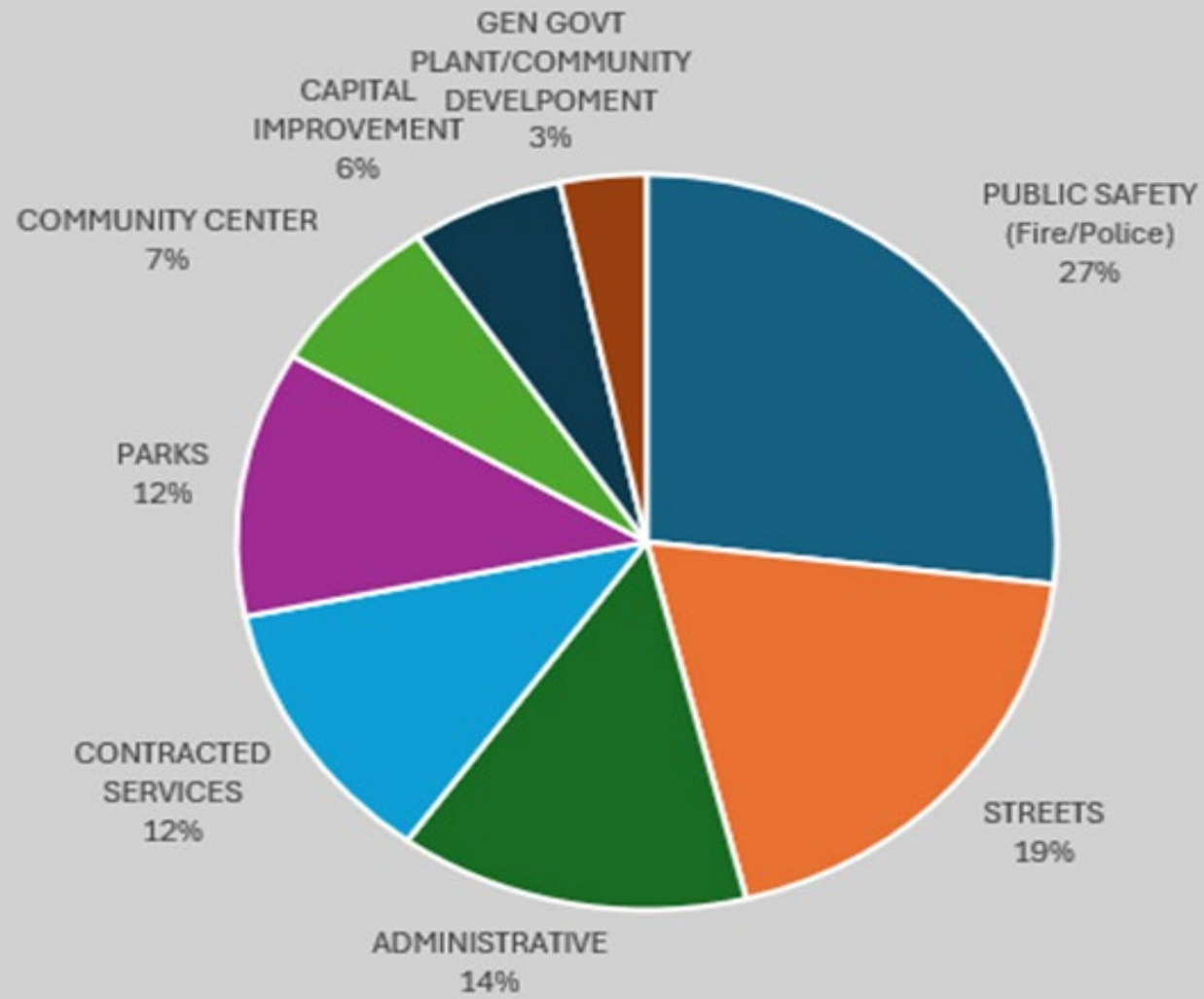
REVENUE	2022 Actual	2023 Actual	2024 Budget	2025 Proposed
Current Ad Valorem Taxes	812,097	1,047,335	1,051,057	1,082,922
Total Miscellaneous Revenues:	1,090,867	1,125,532	665,253	745,802
<b><u>Total Revenue</u></b>	<b>1,902,964</b>	<b>2,172,867</b>	<b>1,716,310</b>	<b>1,828,724</b>

<b>Largest Sources of Misc. Revenue:</b>	2022 Actual	2023 Actual	2024 Budget	2025 Proposed	
Local Government Aid	238,856	247,983	157,953	316,527	
Fire Protection Township	189,165	148,788	180,000	103,000	Reimbursement from Townships for Fire
Building Permits	127,956	133,451	100,000	100,000	10 New homes thru 8/1/24. 27 in 2023 and 16 in 22. Per Loomis slowing down. Sold 1/2 this year compared to 2023
Refunds and Reimbursements	63,887	86,473	25,000	45,000	We invoice developers certain expenses incurred IE: Legal, Bolton & Menk and Cindy Nash
Donations from Cologne Fire Relief	52,106	13,914	20,000	10,000	2024 was donation for truck refurbish
Interest Earnings	23,204	64,622	25,000	30,000	Drawing down cash and interest rate drop
Fitness Center Memberships	42,531	43,940	40,800	45,000	
Community Center Rentals	40,311	45,463	40,000	40,000	

# General Fund Expense Highlights

EXPENSE	2022 Actual	2023 Actual	2024 Budget	2025 Proposed	
PUBLIC SAFETY (Fire/Police)	407,089	499,134	165,000	490,634	
STREETS	403,885	2,513,814	437,274	352,212	
ADMINISTRATIVE	304,045	341,437	336,708	253,008	
CONTRACTED SERVICES	267,940	287,434	168,000	216,300	Legal/City Planner/Engineering/Metro West Inspections
PARKS	196,854	390,629	150,960	213,556	Resurface B-Ball Court Meadow/Remove old equipment VFW and add T- ball
COMMUNITY CENTER	115,989	133,869	118,096	130,715	
GEN GOVT PLANT/COMMUNITY	134,012	38,212	44,965	62,300	Replace Windows/Door at City Shed /Glad Days/Newsletter
CAPITAL IMPROVEMENT	-	-	-	110,000	
	<b>1,829,814</b>	<b>4,204,530</b>	<b>1,421,003</b>	<b>1,828,724</b>	<b>Total General Fund Expense</b>





# Outstanding Bond Levy Discussion

<b>Debt</b>	<b>Balance 12/31/2024</b>
2013 Refunding (Community Center/Village Pkwy/Round Abouts)	5,000,000
2018 Equipment Certificates (Tanker/Command Vehicle/PW Truck)	252,000
2020 Street & Utility	4,660,000
2021 Street (Hwy 284/Street Sweeper)	630,000
2023 (Benton Creek Improvements)	2,610,000
<b>Total Outstanding</b>	<b>13,152,000</b>



# Annual Debt Service Payments

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Year	Total Debt Payment	\$ increase over prior year	% increase over prior year
2024	\$859,047		
2025	\$1,109,571	\$250,524	29%
2026	\$1,153,415	\$43,844	4%
2027	\$1,200,183	\$46,768	4%
2028	\$1,210,114	\$9,931	1%
2029	\$1,130,745	-\$79,369	-7%
2030	\$782,644	-348,101	-31%

# Proposed Debt Service Levy 2024 vs 2025

	LEVIED	BUDGETED
COMBINED DEBT SERVICE FUND	2024	2025
<b>EXPENSES</b>		
Principal	572,000	820,000
Interest	287,047	289,571
<b>Total CY Annual Debt Service</b>	<b>859,047</b>	<b>1,109,571</b>
<b>REVENUES</b>		
Levy Revenue	771,897	936,898
Assessment Revenue	80,150	75,000
<b>Total CY Annual Revenue</b>	<b>852,047</b>	<b>1,011,898</b>
Annual Surplus / (Deficit)	(7,000)	(97,673)
<i>Levy Percent Change from prior year</i>		13%

Residential Market Value	Tax Impact
\$350,000	\$266
\$400,000	\$310
\$450,000	\$353

The Annual Deficit is covered with existing cash on hand

# Proposed Debt Service Levy 2025 thru 2030

	BUDGETED 2025	PROPOSED 2026	PROPOSED 2027	PROPOSED 2028	PROPOSED 2029	PROPOSED 2030
<b>COMBINED DEBT SERVICE FUND</b>						
<b>EXPENSES</b>						
Principal	820,000	867,000	894,000	931,000	880,000	555,000
Interest	289,571	266,415	241,183	214,114	185,745	162,644
Add New Financing for Fire Equipment		20,000	65,000	65,000	65,000	65,000
<b>Total CY Annual Debt Service</b>	<b>1,109,571</b>	<b>1,153,415</b>	<b>1,200,183</b>	<b>1,210,114</b>	<b>1,130,745</b>	<b>782,644</b>
<b>REVENUES</b>						
Levy Revenue	936,898	1,036,898	1,150,000	1,150,000	1,070,000	750,000
Assessment Revenue	75,000	75,000	75,000	75,000	75,000	73,000
<b>Total CY Annual Revenue</b>	<b>1,011,898</b>	<b>1,111,898</b>	<b>1,225,000</b>	<b>1,225,000</b>	<b>1,145,000</b>	<b>823,000</b>
<b>Annual Surplus / (Deficit)</b>	<b>(97,673)</b>	<b>(41,517)</b>	<b>24,817</b>	<b>14,886</b>	<b>14,255</b>	<b>40,356</b>
<i>Levy Percent Change from prior year</i>	<i>13%</i>	<i>11%</i>	<i>12%</i>	<i>0%</i>	<i>-7%</i>	<i>-32%</i>

The Annual Deficit is covered with existing cash on hand

# Cash Balance Review


<b>Bank Balance 9/30/2024:</b>	<b>\$3,804,749</b>
Less: Restricted Funds	\$355,465
Less: Assigned Funds	\$2,759,534
Less: Water/Sewer Fund	\$270,000
<b>Equals: Discretionary Dollars</b>	<b>\$419,750</b>
Less: 2024 Levy Deficit and Proposed 2025 Levy Deficit	\$104,673
<b>Discretionary Dollars Remaining 12/31/2025:</b>	<b>\$315,077</b>
Less: Proposed 2026 Levy Deficit	\$41,517
<b>Discretionary Dollars Remaining 12/31/2026:</b>	<b>\$273,560</b>

# The Water/Sewer and Stormwater Fund Issue

Bakertilly presented a rate study in March of 2021 that included new Utility Rates to be increased over the past 5 years. The next two slides are from their 2021 presentation and contain their recommended rate changes. I've added our existing rates on each slide for reference.

## Key Takeaway:

The impact of not raising rates as recommended has left a million dollar short fall in the enterprise funds.



# Water Utility Rate Recommendations

WATER RATES	2020	2021	2022	2023	2024	2025	
Billed Monthly							Existing Rate
Base Charge	\$12.00	\$14.64	\$17.86	\$21.79	\$23.75	\$25.89	\$ 14.00
0 - 7,500 gallons	\$6.00	\$7.32	\$8.93	\$10.90	\$11.88	\$12.94	\$ 7.32
7,501 - 20,000 gallons	\$6.50	\$7.93	\$9.67	\$11.80	\$12.87	\$14.02	\$ 7.93
20,001 - 50,000 gallons	\$7.25	\$8.85	\$10.79	\$13.16	\$14.35	\$15.64	\$ 8.85
50,001 - 100,000 gallons	\$8.00	\$9.76	\$11.91	\$14.53	\$15.83	\$17.26	\$ 9.73
>100,000 gallons	\$8.75	\$10.68	\$13.02	\$15.89	\$17.32	\$18.88	\$ 10.68

- *Water Fund operating revenues historically exceed operating expenses, but debt service (non-operating) draws down cash*
- *With no rate increases and declining cash balances, the fund is projected to have no cash at the end of 2022.*
- *Assumes rates are implemented April 1, 2021*



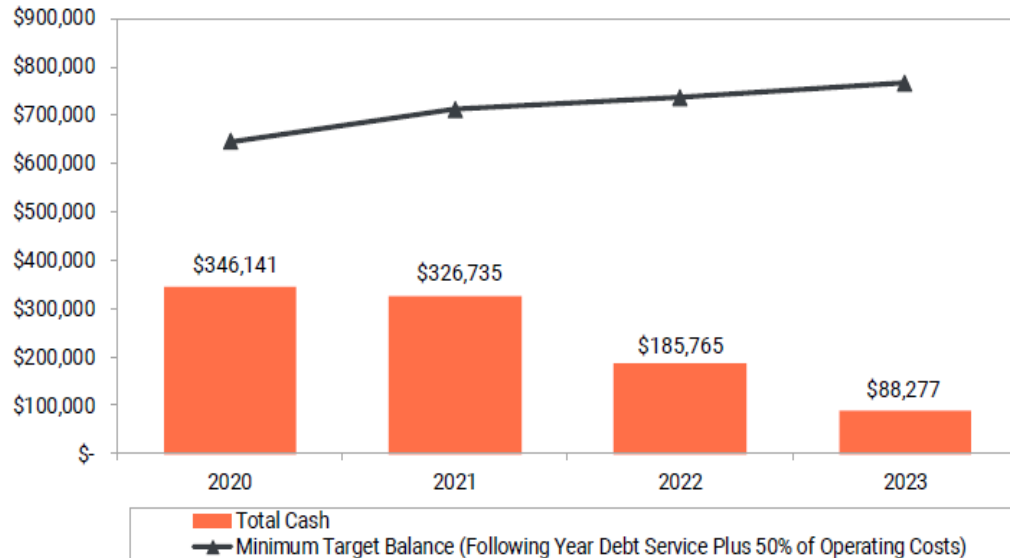
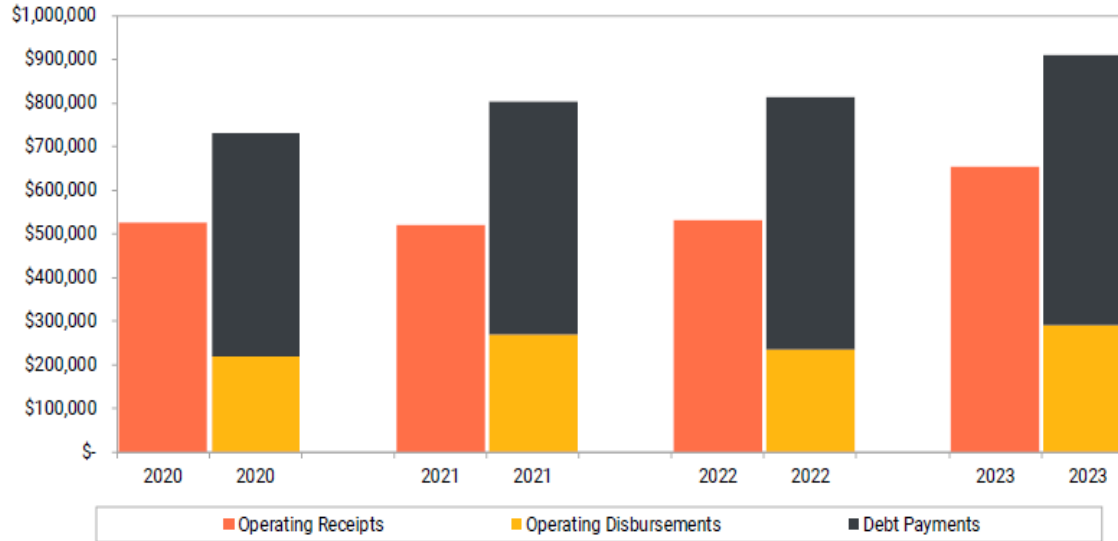
# Sewer Utility Rate Recommendations

SEWER RATES	2020	2021	2022	2023	2024	2025	
Billed Monthly							
Base Charge on average use May-October and actual use November - April	\$13.30	\$15.96	\$19.15	\$21.45	\$24.02	\$26.91	Existing Rate \$ 15.50
per 1,000 gallon / monthly	\$6.00	\$7.20	\$8.64	\$9.68	\$10.84	\$12.14	\$ 7.20

- *Sewer Fund expenses have historically exceeded revenues*
- *With no rate increases and declining cash balances, the fund is projected to have no cash at the end of 2023.*
- *Assumes rates are implemented April 1, 2021*

# From the 2023 Audit Presentation:

There is \$5,845,000 outstanding debt on the water plant with annual payments of \$280,000. Revenues from water bills are not covering the cost to operate the plant.

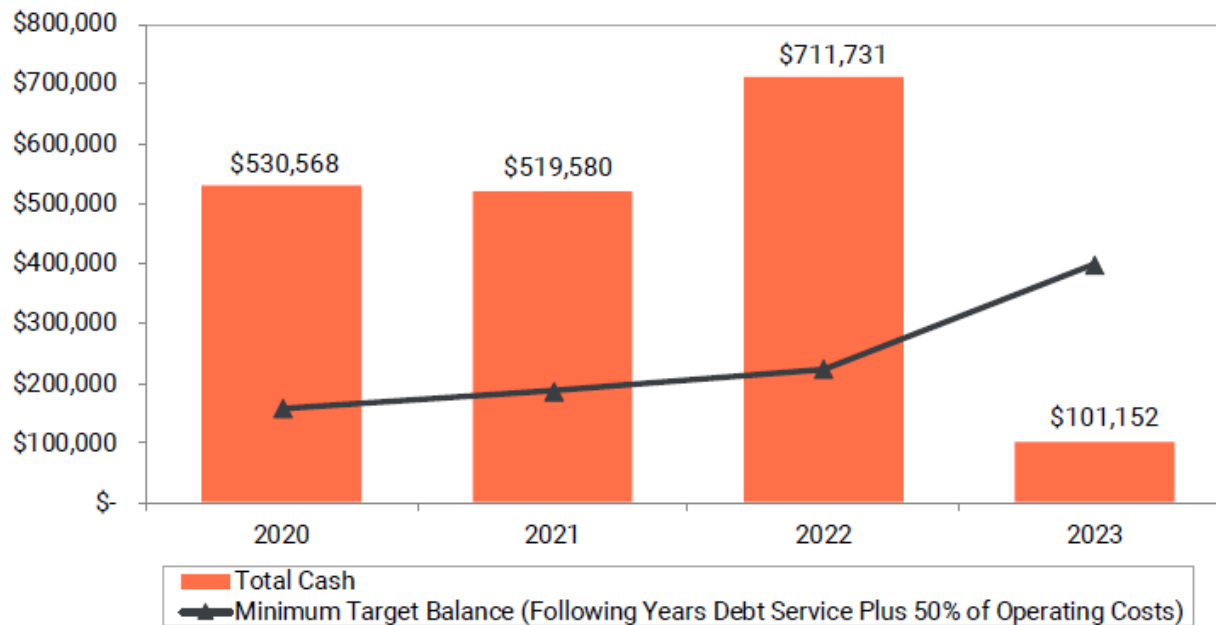
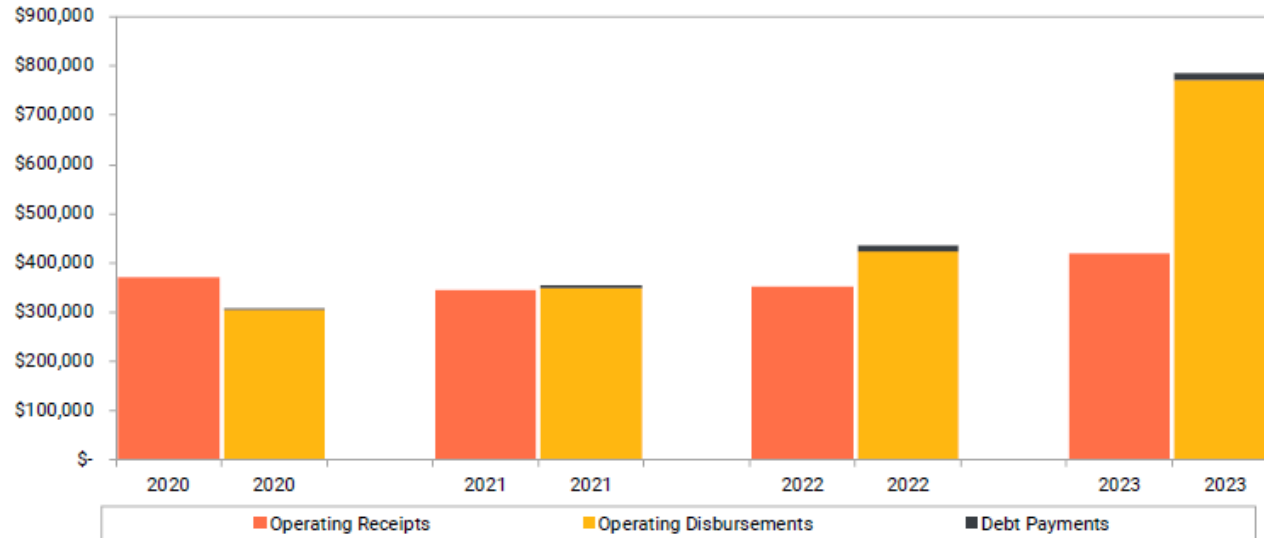


## Water Fund

### Cash Flows from Operations and Cash Balances

*We recommend the City complete a formal review of Utility rates to ensure resources are sufficient to cover costs in future years.*

# From the 2023 Audit Presentation:



## Sewer Fund

### Cash Flows from Operations and Cash Balances

*We recommend the City complete a formal review of Utility rates to ensure resources are sufficient to cover costs in future years.*

# Summary:

- The City faces a challenging debt service schedule for the next 5 years.
- Cash is strained supplementing the enterprise funds.



# Recommendations:



- **At tonight's Council meeting, approve the engagement of Abdo to conduct a Utility Rate Study**
  - **Provide Staff with further direction on information needed prior to adopting final 2025 Budget and Levy in December**
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