

**CITY OF CEDARBURG
FINANCE COMMITTEE
May 15, 2025**

A regular meeting of the Finance Committee of the City of Cedarburg, Wisconsin, was held online on Thursday, May 15, 2025, utilizing the Zoom app.

Mr. Arnett called the meeting to order at 10:00 a.m.

Roll Call: Present - Jack Arnett, Allan Lorge, Jeff Slater, Mary Kay Bourbulas, Tim Voeller and Michael Bradburn.

Also Present- Finance Director Kelly Livingston, Deputy Treasurer Maureen Hartjes and Ehlers Representative Tami Olszewski.

Excused- Council Member Jim Fitzpatrick and City Administrator Mikko Hilvo.

STATEMENT OF PUBLIC NOTICE

Finance Director Livingston confirmed proper legal notice of the meeting had been given.

COMMENTS & SUGGESTIONS FROM CITIZENS

None

APPROVAL OF MINUTES

A motion was made by Ms. Bourbulas to approve the minutes of March 18, 2025, and April 22, 2025. The motion was seconded by Mr. Voeller. Motion carried unanimously with Council Member Fitzpatrick excused.

REPORTS

None

NEW BUSINESS

Discussion and review of Ehlers 2024 Portfolio Review

Ehlers representative Ms. Olszewski presented information regarding the City's portfolio for 2024, including market updates. Ms. Olszewski stated the interest rate market is beginning to shift, and there are expectations of rate cuts either later this year or next year. Ms. Olszewski said this is important for the City, as the City invests in fixed income assets such as treasuries, municipal debt obligations, and similar instruments that provide principal preservation with a fixed rate of return. Ms. Olszewski said these rates tend to track closely to the Federal Funds rate in the short term.

Ms. Olszewski presented a U.S. Treasury Rates: Par Curve summary and U.S. Treasury Forward Rates summary and discussed the trends. Ms. Olszewski explained that these rates offer another way to gauge how far out on the

maturity segment Ehlers would consider reinvestment opportunities. Ms. Olszewski noted that they are beginning to explore three- and five-year maturity segments for the City's reinvestments.

Ms. Olszewski said as a reminder the City's portfolio objectives are safety, liquidity, and yield. Ms. Olszewski stated safety of principal preservation is the first consideration and is followed by liquidity for projects. Ms. Olszewski said investment earnings are the last consideration and while Ehlers aims to optimize earnings as much as possible, the goal is to maintain a steady level of investment while keeping City funds safe.

Ms. Olszewski presented a portfolio overview as of December 31, 2024, which combined all Ehlers accounts. Ms. Olszewski reported that at the end of 2024, the income was a little over \$181,000, with fees just under \$12,000. Ms. Olszewski said as a general investor, unrealized losses can be concerning, however the City follows a buy-and-hold strategy, meaning investments held until maturity will not be impacted by unrealized losses. Ms. Olszewski stated at the end of 2023 there was a significant unrealized loss in the portfolio, but as rates begin to decline, a shift may occur, possibly leading to an unrealized gain.

Mr. Lorge asked if the City has provided Ehlers with the basic cash flow needs of each account and Ms. Olszewski confirmed the City staff and she communicate periodically, particularly regarding reinvestments. Ms. Bourbulas suggested adding this topic to the next Finance Committee agenda to discuss internally. Ms. Olszewski stated she will provide the City with a maturity schedule for each account for the next meeting.

Ms. Olszewski presented a 2024 year-end Fixed Income summary, showing the breakdown of holdings in the accounts and stated the City is not too concentrated in any one area of the market. Ms. Olszewski said Ehlers monitors the City's CD holdings to ensure the City is not exceeding the FDIC or NCUA coverage limits. Mr. Arnett asked if the \$1.5 million in CDs are separate CDs under \$250,000 and Ms. Olszewski replied that the City holds a variety of CDs in varying amounts. Mr. Arnett asked if the City avoids purchasing CDs more than \$250,000 and Ms. Olszewski stated there have been a few instances where that has occurred, it is not historically advantageous.

Ms. Olszewski said at the end of 2024, the Average Years to Redemption was 1.67 and the Average Yield to Maturity was hovering around 4%. Ms. Olszewski said cash rates are approximately 4.25%-4.3% and because the City's portfolio consists of fixed income investments, it trails slightly behind that rate. Ms. Olszewski explained that this is largely due to the City's long-term holdings, which have weathered the ups and downs of the interest rate market.

Mr. Lorge inquired about which money market vehicles Ehlers uses. Ms. Olszewski stated they utilize Dreyfus Government, as the City is required to invest in government securities money market. Ms. Olszewski stated if the City is interested in a certain money market, Ehlers can compare options. Ms. Olszewski said Dreyfus does not charge fees for trades, and custodial providers allow purchases of almost any money market product; however, mutual fund companies assess charges.

Ms. Olszewski provided a portfolio summary and overview as of May 8, 2025, reporting income to date is approximately \$72,000, and fees around \$4,500. Ms. Olszewski said the Average Years from Redemption is at 1.39. Ms. Olszewski observed this figure has decreased slightly and would like to see this increase across the board. Ms. Olszewski said she will provide an overview for each account for the Finance Committee's June meeting and said each account will differ in return, duration and redemption average.

Ms. Olszewski presented a maturity schedule and stated the City has a lot of maturities this year. Ms. Olszewski stated Ehlers had kept investments short in this rising interest rate environment and now that the rates are coming down Ehlers will recommend longer term or core funds for reinvestment filling the city's maturity ladder between 2027 and 2029. Mr. Bradburn said with the twenty-eight securities maturing in 2025 they are amongst 5-6 different funds and each of these funds will have different capital requirements. Ms. Olszewski said Ehler's recommendations are specific to individual accounts.

Mr. Arnett asked if Ehlers has a software program that compiles their reports. Ms. Olszewski said Ehlers uses various software programs, including IMTC and Orion. Ms. Olszewski stated if the City had additional custodial accounts for any reason, Ehlers could consolidate all relevant information into a single report. Ms. Bourbulas stated, in reference to the maturity schedule, the average coupon was 1.43%. Ms. Bourbulas noted a lot of those securities, which showed unrealized losses, will go away as they approach maturity because the City will get the principal back and that is what is working. Ms. Bourbulas stated it is important to figure out what we can invest in for a longer term so the City can keep the average income level on the total portfolio. Ms. Olszewski stated there will be uncontrollable shifts in interest rates and the only thing we can control is those of fixed rate investments that the City invests in and the goal is to keep the principal value protected.

Mr. Arnett asked if the City has any lingering investments at U.S. Bank. Finance Director Livingston stated the City is completely done with U.S. Bank. Mr. Arnett asked if the City is underbudget for investment income since Ehlers report showed four months of investment income at \$73,000. Mr. Arnett said it seemed low compared to the City's budgeted amount. Deputy Treasurer Hartjes stated the City is also earning interest from LGIP and Port Washington State Bank.

Mr. Arnett stated the Finance Committee will look at each separate fund account and review the reports Ms. Olszewski sends for the next meeting. Ms. Bourbulas said the Finance Committee should look at the overall portfolio and be sure the City is investing money that will not be needed for 3-5 years as to not get in the same position as before by not taking advantage of higher rates. Mr. Arnett said this would protect the City from falling short term rates. Mr. Lorge said City staff will need to do some ballpark estimating on the liability side. Mr. Arnett stated some of that work was already included in the City's FMP.

Ms. Bourbulas asked if the City can open a money market account at Fidelity or somewhere for short-term needs. Ms. Olszewski said the City can do that, but the City needs to keep in mind that any sort of mutual fund product the City considers should have a net asset value of around \$1/share and the investments need to fall within the parameters of the City's investment policy. Ms. Olszewski stated Ehlers does evaluate different money market providers and it is an exercise Ehlers undertakes a few times a year. Ms. Olszewski stated there really is not a lot of competitiveness in money market products. Ms. Olszewski added that going with another money market provider could become more of a hassle for the City's Finance Department due to pulling reports from multiple places. Ms. Bourbulas asked if the City is restricted to what kind of money market funds the City can invest in. Ms. Olszewski said the City is restricted to a government type of money market funds and anything the City invests in must fall under the same statutes. Ms. Bourbulas said municipal money market funds are more attractive than taxable alternatives. Ms. Olszewski stated there is a significant spread in taxable municipal debt and these carry the full faith credit of the underlying municipality if it is rated AA or better. Ms. Olszewski said anytime Ehlers evaluates investment purchases for the City they look to treasuries first, which are a safe, secure option and then they evaluate the spread opportunity. Ms. Olszewski said the City has a lot of options and Ehlers evaluates all of them and if the City makes investment decisions on your own, even money market products, there

is not a huge spread between them and therefore may not provide an advantage. The Finance Committee thanked Ms. Oslewski for her time and presentation.

Finance Director Livingston said the City is working with Bank First for the upcoming borrowing, now totaling \$6,200,325. Finance Director Livingston said the City is paying off two State Trust fund loans with this borrowing, following Ehler's recommendations. Finance Director Livingston stated the loan closing is May 27, 2025, and the City is working with Bank First, Husch Blackwell, Quarles & Brady and Ehlers. Mr. Arnett asked if the City is extending the maturity of the two State Trust Fund loans or is the City paying them off due to a lower rate. Finance Director Livingston stated that it is at a lower rate and maturity is not being extended. Ms. Bourbulas stated it is a refinancing opportunity at a lower rate.

Mr. Arnett asked the Finance Committee if there were any future agenda items and said suggestions can be emailed to Council Member Fitzpatrick or Administrator Hilvo. Mr. Lorge stated the Finance Committee could review revenue sources, potential shared services, and other alternatives at the next meeting. Mr. Lorge suggested the City examine these topics at least annually or biennially. Mr. Arnett said the City can also look at cost-saving measures, including possible collaborations with local governments and equipment or facility savings. Mr. Arnett stated the City does a pretty good job of handling these concerns and noted the budget is approximately two-thirds for staff pay and benefits. Mr. Lorge suggested evaluating cost-side factors to identify additional savings.

Mr. Arnett said it is important to understand the long-term impact of funding roads through borrowed money, as it represents a significant departure from the City's historical approach over the past 150 years. Mr. Arnett stated the Finance Committee should keep this issue on their radar and monitor potential legislative developments at the state level. Mr. Bradburn said the state's contribution for state local roads was only around \$180,000. Ms. Bourbulas stated it is unsustainable, and the City is not the only one in the position. Mr. Arnett said there was a statewide road funding proposal around \$80 million dollars, which is inadequate given Wisconsin's \$4 billion surplus.

Identify future agenda items, and action thereon

Discussion on Additional Revenue Sources and Shared Services potential.

Discussion on Cash Flow needs for each entity/fund.

Review Investments for each entity/fund.

Confirm Next Meeting Date June 19, 2025, at 10:00 a.m.

ADJOURNMENT

Motion made by Mr. Arnett, seconded by Ms. Bourbulas to adjourn the meeting at 11:00 a.m. Motion carried without a negative vote with Council Member Fitzpatrick excused.

Maureen Hartjes
Deputy Treasurer