FIN20241119-1
UNAPPROVED

CITY OF CEDARBURG
FINANCE COMMITTEE
November 19, 2024

A regular meeting of the Finance Committee of the City of Cedarburg, Wisconsin, was held online on Tuesday, November 19, 2024, utilizing the Zoom app.

Council Member Jim Fitzpatrick called the meeting to order at 1:01 p.m.

Roll Call: Present - Council Member Jim Fitzpatrick, Jack Arnett, Allan Lorge, Jeff Slater, and Michael Bradburn

Also Present- City Administrator Mikko Hilvo, Finance Director Kelly Livingston, Deputy Treasurer Maureen Hartjes and Ehlers representatives Harry Allen, Brian Roemer, and Peter Curtain, and Dennis Grulkowski

Excused- Mary Kay Bourbulas and Tim Voeller

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 Mr. Slater to approve the minutes of October 15, 2024. The motion was seconded by Mr. Bradburn. Motion carried unanimously.

NEW BUSINESS

Discussion and possible action on Financial Management Plan for the Water Recycling Center
Mr. Roemer presented the Wastewater Treatment Plan FMP and stated Ehlers used historical rate performance, rate impact and future projections of expenses and capital in this plan. Mr. Roemer said Ehlers looks back five years and then builds a ten-year plan for the future. Mr. Roemer stated the City's last sewer rate increase went into effect on January 1, 2023; user charge per 1,000 gallons increased by 17% from $8.55 to $10.00 and the connection fee remained at $15.00. Mr. Roemer stated the City had planned a rate increase effective on January 1, 2025, of 50% where user charge per 1,000 gallons would increase to $15 from $10 and the connection fee would increase by 9% from $15.00 to $16.40.

Mr. Roemer presented a Historical Rate Performance chart that looks back at years 2019-2024 to calculate rate adequacy. Mr. Roemer said there are two ways to calculate rate adequacy, the first is using a Cash Basis method which combines operating & maintenance expenses, debt and cash funded capital and subtracts out investment income or other non-rate revenue to determine the revenue requirement. The revenue requirement is then compared to user rate revenue, and this showed the City was rate adequate for the last five years. The other method in determining rate adequacy is using the PSC's Utility Basis calculation, Mr. Roemer stated this is a more linear approach; it combines operating & maintenance expenses, depreciation, NIRB and a recommended ROI and then subtracts out investment income to determine the Revenue Requirement. Mr. Roemer said the Revenue requirement is then compared to the User Rates revenue like the other calculation to determine rate adequacy. Mr. Lorge noted the large difference in calculations and asked what that meant. Mr. Roemer said both calculations are acceptable by the American Waterworks Association and the large difference is the result of how capital is funded. Mr. Bradburn asked if NIRB is netbook value or total assets less accumulated depreciation which Mr. Roemer said it was.

Mr. Roemer reviewed the WRC's reserves for the past five years and stated the City is in a good position and has significant cash available. Mr. Roemer reviewed two charts that showed the City's WRC Reserves compared to Target Reserves as well as the Operating Ratio compared to the target. Mr. Roemer said the target cash balance is six months of operating and maintenance expenses, depreciation and 100% of the next year's debt payment. Mr. Roemer said reserves can fund projected deficits but only for so long. Mr. Roemer presented another chart, the Historical Rate Performance – Leverage Cash, which compared the target minimum cash balance compared to the actual working capital-cash balance and said the City is in a good position.

Mr. Roemer said the City is looking at WWTP Upgrade compared to a Full System Replacement; a system upgrade could be financed with a 30-year CWFL at $83,000,000 and a Full System Replacement could be financed with a 30-year CWFL at $125,000,000. Mr. Roemer stated for the full replacement an engineer will need to complete a Design Life Analysis, and the DOA will require debt coverage of 1.10 at loan closing. Mr. Lorge asked how this will affect the City's rating. Mr. Roemer stated this will not affect the City's rating since these loans are backed with Revenue not G.O. Obligations.

Mr. Roemer reviewed the WRC's future capital schedule which showed planned cash funded projects from years 2025-2033 and stated this schedule includes the design plans for plant renovations and $83M in 2029 for plant upgrades. Mr. Slater requested an additional line item be added to the schedule for year 2029 to show the plant upgrade separately.

Discussion and possible action on 2025 Sewer Rates

Mr. Roemer went on to review a Sewer Future Projection – Full System Replacement schedule which estimated the "All-in" Debt Coverage for years 2024-2033. Mr. Roemer said this projection estimates a 12% rate increase from years 2025-2031 and then a 3% increase for years 2032-2033. Mr. Roemer presented and reviewed an Impact on Avg. Res. Bill – Full System Replacement chart which estimated an increase over the next ten years of $1,533.66 for the average user. Mr. Grulkowski said that usage of 8,000 gallons per month is more typical for commercial users and not residential. Mr. Roemer reviewed a Sewer Future Projection – System Upgrade chart which showed a rate increase of 8.25% from years 2025-2031 and then a 3% increase in years 2032-2033 which estimated an increase over the next ten years of $966.56 for the average user.

Administrator Hilvo stated he is recommending the City not do the planned sewer rate increase of 50% but do a 12% increase that had been presented in Ehler's information. Administrator Hilvo said sewer rates would be a Flow rate of $11.20/1,000 gallons from $10/1,000 gallons and a monthly connection fee of $16.80/month from $15/month. A discussion ensued regarding the benefits of going ahead with the planned 50% increase or the 12% increase.

A motion was made by Mr. Bradburn to recommend a 12% increase in Sewer rates to the Common Council and was seconded by Mr. Lorge. Motion passed unanimously.

Identify future agenda items, and action thereon
Discussion and review of Expenditure Restraint Program
Discussion of resort tax

Confirm Next Meeting Date December 17, 2024, at 1:00pm

ADJOURNMENT
Motion made by Mr. Arnett, seconded by Mr. Bradburn to adjourn the meeting at 2:15 p.m. Motion carried without a negative vote.

Maureen Hartjes
Deputy Finance Director