



**CITY OF CEDARBURG
Finance Committee
February 19, 2026
Minutes**

1. CALL TO ORDER

Jack Arnett called the meeting to order at 10:08 a.m.

2. ROLL CALL

Present: Jack Arnett, Mary Kay Bourbulas, Michael Bradburn, Jeff Slater, Tim Voeller

Also Present: City Administrator Mikko Hilvo, Finance Director Kelly Livingston, and Ehlers Representative Ms. Tami Olszewski

Excused: Council Member Fitzpatrick and Allan Lorge

3. STATEMENT OF PUBLIC NOTICE

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

4. COMMENTS AND SUGGESTIONS FROM CITIZENS

None

5. APPROVAL OF MINUTES

- A. Discussion and possible action on the approval of January 15, 2026, Finance Committee minutes.*

A motion was made by Mr. Bradburn, subject to Mr. Voeller's suggested changes, to approve the minutes of January 15, 2026. The motion was seconded by Mr. Slater. Motion carried without a negative vote with Council Member Fitzpatrick and Allan Lorge excused.

7. NEW BUSINESS

A. Discussion and possible action on 2025 Review of Ehlers Investments.

Administrator Hilvo suggested moving item 7A – Review of Ehlers Investments to the beginning of the agenda since Ms. Olszewski from Ehlers was joining the meeting. Item 6A – Discussion of Informational Document would be taken up afterward.

Ms. Olszewski provided an update on the economic outlook and the City's investment portfolio. She noted that the various funds: debt proceeds, general funds, and utility funds, operate on different timelines but share the priorities of safety, principal preservation, and income generation. She recommended one minor update to the investment policy, which was last comprehensively revised three years ago. She also reported that interest rates are trending downward amid broader economic uncertainty. Because the portfolio has been positioned in shorter-term investments, it remains well situated, though returns are expected to moderate as rates continue to ease.

Ms. Olszewski explained that short-term interest rates are expected to remain steady, with only modest movement likely over the next 6–12 months. A more normal yield curve may return in about three years, but without a change in the federal funds rate, no major shifts are anticipated. Current market indicators show a 90% probability that the Fed will hold rates steady at its late March meeting.

Ms. Olszewski noted the City's portfolio has remained highly liquid in recent years, allowing reinvestment at favorable short-term rates. As rates begin to decline, the strategy is shifting toward extending maturities to lock in remaining higher yields. Throughout this process, the primary goals remain preserving principal, maintaining sufficient liquidity, and earning a predictable market rate return.

Ms. Olszewski explained that different funds within the portfolio are structured according to their purpose. The general fund, with a roughly three-year average maturity, has performed strongest because it allows for longer-term planning. In contrast, the 2023A fund remains short and liquid to meet project-related spending needs. The overall portfolio is diversified across municipal bonds, CDs, government agencies, and Treasuries, with municipal bonds recently outperforming other options. She stated this mix helps manage market shifts and provides flexibility if early liquidation is ever required. Ms. Olszewski stated that for the most recent 12-month period, the portfolio generated just over \$280,000 in income, with management fees totaling about \$16,000.

Ms. Olszewski explained that market value adjustments reflect normal price fluctuations in the portfolio's holdings; when interest rates rise, prices fall, which is why the portfolio showed large unrealized losses two years ago. She stated that these losses do not affect day-to-day operations but must be monitored for audit and bond-covenant compliance, and that, as rates decline, those unrealized losses are easing because underlying prices are rising.

Ms. Olszewski emphasized the importance of maintaining liquidity to meet project needs and ensuring the general fund has regular maturities to support cash flow and reinvestment opportunities. She stated upcoming maturities include just under \$1 million in 2026 and about \$550,000–\$580,000 in 2027–2028, with maturities gradually extending to lock in stable yields.

She added that looking ahead, the team continues to track Federal Reserve and global economic conditions while shifting the strategy toward longer maturities to secure predictable returns.

Ms. Olszewski moved on to the investment policy. She recommended changing the required review from annually to every three years or as needed, since major revisions are infrequent. Ms. Olszewski advised that requiring an annual investment policy update is unnecessary since major changes are rare. Mr. Bradburn asked whether the policy's guideline - an average portfolio duration of about three years - creates issues for funds with longer-term needs, such as sewer or utility funds. She explained that the three-year duration language was intentionally written to allow flexibility, not to impose a hard limit. She added state law permits much longer maturity, and while longer-term investments haven't been attractive in recent years, there are situations where a 10-year Treasury or similar option could make sense. Ms. Olszewski added that the current policy already provides room for exceptions when longer maturities are appropriate, so she does not recommend changing the language.

Mr. Arnett asked if the \$4 million in contributions shown in the presentation were the result of the 2025 borrowing. Administrator Hilvo stated that the amount was for the 2025 borrowing for the 2026 street projects for Washington Avenue, which will be spent in 2026.

B. Discussion and possible action on updating policy FC-4 Investment Policy.

The Finance Committee reviewed the updated financial policy FC-4 – Investment Policy. A discussion ensued regarding Ms. Olszewski's suggested update. The Finance Committee decided to update the policy by changing the policy review from annually to every three years.

A motion was made by Mr. Arnett to send the updated policy to the Common Council and was seconded by Ms. Bourbulas. Motion passed without a negative vote with Council Member Fitzpatrick and Allan Lorge excused.

Mr. Voeller pointed out a typo in section D and noted that items B and C repeat the same sentence and that the subsection label appears incorrect. Ms. Olszewski agreed and explained the error likely came from converting the PDF to Word. Mr. Voeller said the policy states that the Finance Director/Treasurer must approve final investment selections, but it does not explicitly say those decisions must comply with the investment policy itself and suggested adding language to make that requirement clear.

Ms. Olszewki agreed and said once the policy is updated it should be reviewed by the City Attorney before it goes to the Common Council.

An amended motion was made by Mr. Arnett to send the updated policy to the Common Council and was seconded by Ms. Bourbulas. Motion passed unanimously with Council Member Fitzpatrick and Allan Lorge excused.

6. UNFINISHED BUSINESS

A. Discussion and possible action on the informational document explaining the impact development has on city finances.

The Finance Committee moved on to Item 6A – Discussion and possible action on the informational document explaining the impact development has on City finances. The Finance Committee reviewed the latest version of a document intended to explain to residents how new construction affects their property taxes. Once finalized, it will be posted on the city website, followed by a more detailed version for the Common Council to use when evaluating future development decisions. The latest draft includes minor edits and replaces the line graph with a clearer bar graph, with discussion about placing it on the first page. Older data and 2026 estimates were removed, and a more detailed version will later be provided to the Common Council.

Discussion ensued about ensuring the document remains factual and not pro-development. Finance Committee members noted that some residents may be sensitive to the term “development,” prompting a shift to phrases like “thoughtful construction.” They also agreed the memo should briefly acknowledge that new construction increases demand for services, so the presentation is balanced. The group emphasized that the document’s purpose is to explain the trade-offs created by state levy limit laws—higher fees, reduced services, or more borrowing—not to advocate a position. Overall, the Committee agreed the document is clear, concise, and helpful in illustrating the City’s financial constraints and the choices facing residents.

Discussion ensued about whether to add examples or anecdotes to illustrate fixed versus variable costs, though some members preferred to stick to facts rather than speculation. The group agreed it may be helpful to have a few non-experts review the draft to ensure it is understandable. The Committee agreed to have Administrator Hilvo incorporate the discussed changes, circulate the updated version for final comments, and work toward fitting the document on one page. They also discussed preparing a more detailed presentation for the Common Council later in the year.

A resident, Terry King, commented that the document appears strongly to be pro-development and does not address long-term limits on growth. He noted that Cedarburg is landlocked, meaning new construction will eventually stop, and relying on development to manage finances “kicks the can down the road.” He urged the City to communicate a long-term plan, consider the true costs of growth, and work with other municipalities to push for changes to state levy limit laws. He also cited past

developments where added service costs were underestimated.

Administrator Hilvo stated that the City participates in statewide lobbying efforts through the League of Wisconsin Municipalities and continues to explore policy options. Committee members added that they have also raised levy limit concerns with state legislators. They acknowledged that development has both fixed cost benefits and variable cost impacts.

The Committee agreed to incorporate minor edits, add a brief acknowledgment that new construction brings some additional costs, and bring the revised draft back for one more review before forwarding it to the Common Council.

Mr. Slater inquired about long-term financial planning, and Administrator Hilvo and the Finance Committee members confirmed that the recent Financial Management Plan is a dynamic document used for budgeting and is available online for residents.

C. Identify future agenda items and confirm next meeting date (March 19, 2026, at 10:00 a.m.).

The next Finance Committee meeting is scheduled for March 19, 2026, at 10:00 a.m.

8. ADJOURNMENT

Motion made by Mr. Arnett, seconded by Ms. Bourbulas, to adjourn the meeting at 10:52 a.m. Motion carried without a negative vote with Council Member Fitzpatrick and Allan Lorge excused.

Kelly Livingston
Finance Director