CITY OF CEDARBURG
FINANCE COMMITTEE
September 17, 2024

A regular meeting of the Finance Committee of the City of Cedarburg, Wisconsin, was held online on Tuesday, September 17, 2024, utilizing the Zoom app.

Council Member Jim Fitzpatrick called the meeting to order at 2:00 p.m.

Roll Call:	Present -	Council Member Jim Fitzpatrick, Jack Arnett, Allan Lorge, Jeff Slater, Mary Kay Bourbulas, Tim Voeller and Michael Bradburn.
	Also Present-	City Administrator Mikko Hilvo, Finance Director Kelly Livingston, Deputy Finance Director Maureen Hartjes, Ehlers representatives Harry Allen and Todd Taves
	Excused-	N/A

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 August 20, 2024. The motion was seconded by Mr. Arnett. Motion carried unanimously.

REPORTS
None

NEW BUSINESS
Administrator Hilvo stated Mr. Allen from Ehlers would discuss the Ehlers Financial Management Plan and to keep in mind there are updates to this plan that are not included; therefore, Mr. Allen would present the plan as-is from the meeting packet. Mr. Allen stated he would discuss this plan at a high level and noted that the plan needed revisions to match the 2025 budget. Mr. Allen stated most of the schedules previously presented did not change. Mr. Allen said Table #4 was updated to include the projection of impact fees which will be used to offset capital projects; library and police impact fees would be used towards debt and park impact fees would fund park projects. Mr. Allen stated a five-year window was used in this table and that the estimated extra revenue in impact fees could be up to $200,000 to $400,000 on an annual basis.

Mr. Allen presented Table #5 which outlined existing general obligation debt service for the City. Mr. Allen said this table did not change and pointed out that debt payments for TID #4 will be around $240,000 per year and will be included in the City's debt service levy. Mr. Lorge asked if a State Trust Fund loan is considered G.O. debt. Mr. Allen stated that it is considered G.O. debt and impacts the City's debt limit.

Mr. Allen reviewed Table #6 and stated it now showed changes including the funding of street projects through annual debt issuances each year. Mr. Allen said G.O. debt is exempt from the levy limit calculation and that as debt increases the levy limit increases. A discussion ensued regarding the tax levy increase in 2025 due to the referendum. Mr. Lorge stated the tax levy increase will surprise citizens who may have forgotten about it and the City will need to remind people that the referendum was voted for and approved.

Mr. Allen presented Table #7, the Capital Improvements Financing Plan, showing the City's annual projects with the estimated cost of issuance for each year. Ms. Bourbulas asked if the City can bundle debt issuances to save on issuance expenses. Mr. Allen stated the City could bundle debt issuances but does not recommend bundling more than three years. Mr. Taves added that Ehlers normally looks at each year and evaluates circumstances at the time of each borrowing to see if bundling is a better option.

Mr. Allen stated the City's debt service will increase around $1.7 million in 2025 and increase to around $4.5 million in 2027 due to the large projects potentially starting in 2027. Mr. Allen said the City will still be under the 5% G.O. debt limit. Mr. Allen said this is still lower than most communities that Ehlers works with. Mr. Lorge asked if an athletic center is included in the capital projects. Administrator Hilvo stated that an athletic center will not happen soon and if it did it would most likely be privately funded. Administrator Hilvo said public safety and streets are the priority and currently the public safety building will most likely come in closer to $45 million. Mr. Arnett asked how involved the Council is with the public safety building plan and how far along it is. Administrator Hilvo stated a feasibility study was approved by the Council and the Council will look at the needs assessment results. Mr. Slater inquired if Ehlers could use the $45 million in the Financial Management plan. Mr. Arnett stated that the prior version of the plan included three different scenarios for the public safety building that included the different estimates.

Mr. Allen presented Table #10 showing the forecast tools used in the Financial Management plan. Mr. Allen stated that this table shows how expenditures were inflated and some of these had been adjusted since the last presentation.

Mr. Allen presented Table #11 showing the projected tax levy and rate through 2029. The projected 2025 tax levy could have an impact of $300 for the average home. Council Member Fitzpatrick stated he compared the last 4 years increase in tax levy to the CPI and found that if the levy was allowed to increase at the rate of CPI the City would not have a $1 million shortfall. Council Member Fitzpatrick stated he is sympathetic to Administrator Hilvo since there is no mechanism in the levy limit for inflation. Council Member Fitzpatrick said it sounds fair to borrow for street repairs. Mr. Bradburn raised concerns about the Expenditure Restraint policy, noting its potential to incentivize borrowing and drag on future growth to pay for today's needs. Mr. Arnett and Mr. Slater discussed the potential long-term implications of funding with debt and that it could become a perpetual issue. Mr. Slater suggested considering the service life of facilities when building them to avoid perpetually hitting debt.

Council Member Fitzpatrick suggested setting aside the discussion on the new public safety building for another meeting and the Finance Committee should focus on the plan to overcome the shortfall in the budget by using debt service to pay for streets. Mr. Lorge agreed and noted that the levy limit required this option and the City can't delay street repairs since the City is already behind. Ms. Bourbulas asked at what point would the City be caught up with road repairs. Administrator Hilvo stated it is difficult to be considered caught up with roads due to the Wisconsin climate and rapid deterioration of roads. Administrator Hilvo said the City follows a 7-year plan for road repairs. Mr. Slater asked if there are any federal funds available for roads for projects like adding bike lanes to roads. Administrator Hilvo stated grants are available however the City cannot budget for unawarded grants.

Council Member Fitzpatrick asked if the Finance Committee agreed to borrow for streets to make up the shortfall in the budget. Mr. Bradburn said there is no other way, and it is up to the Council to decide. Ms. Bourbulas stated this would be a better decision than having to borrow for employee wages. Mr. Arnett stated that once the major thoroughfares are completed the City can come back to cash funding road repairs. Mr. Lorge stated the City needs to levy as much as possible each year in the General Fund to help in future years. The Finance Committee discussed the use of the Debt Service Fund balance and the potential for taxes to still increase even with planned borrowing.

Mr. Arnett asked if the reports could break out the taxes into two lines, one for taxes resulting from the referendum and the other for taxes resulting from additional borrowing.

Mr. Allen stated the Expenditure Restraint program is a state-determined payment based on net new construction and inflation, that the City has qualified for in the past. Mr. Allen said that City's 2025 budget may not qualify for the program due to the levy limit referendum but the City should qualify for future payments.

Council Member Fitzpatrick stated it may be beneficial to bundle three years of borrowing to save on fees. Mr. Taves stated if a borrowing is greater than $5 million there are more rules and potential for rebates back to the IRS. Council Member Fitzpatrick said the City could combine 2025, 2026 and 2027 to stay under the $5 million cap. Mr. Lorge stated the State Trust fund loans are at 5.5-6% and there are not any costs for issuance. Mr. Allen stated the State Trust fund loans could be a good option for smaller loans however they recommend using the competitive marketplace for larger loans.

Administrator Hilvo presented a draft of the proposed 2025 budget and said the general fund levy is increasing by $439,359; capital improvement is increasing by $398,930 which will be used to increase fund balance, the TID levy is increasing by $129,832 and the Fire & EMS levy is increasing by $1,292,302 which is from the referendum. Administrator Hilvo stated the total levy, not including the TIDs, will be $13,217,376. The estimated city tax rate for 2025 is $6.98 and the estimated assessment ratio is at 83.9%. Administrator Hilvo stated that revaluation for the City is due since the assessment ratio dropped and the City will postpone this until the last year of the five year period.

Mr. Slater inquired about the fund balance in the Fire & EMS account. Administrator Hilvo said this fund balance is used for ambulance and equipment purchases since the cost of equipment is very high. Administrator Hilvo stated the funds from the referendum will be set up in a separate fund and not all spent the first year and over the next ten years these funds will be spent along with depleting the fund balance.

Council Member Fitzpatrick asked what the increase in the general fund was from. Administrator Hilvo stated the increase is mostly due to hiring a new mechanic and two new police officers, a 3% increase in employee wages, and a decrease in building inspection fees due to less building in 2025.

A motion was made by Mr. Arnett to recommend sending the proposed 2025 budget to the Common Council and to proceed with borrowing for streets and use of fund balance to the Common Council and was seconded by Mr. Lorge. Motion passed unanimously.

Identify future agenda items, and action thereon
None

Confirm Next Meeting Date
October 15, 2024, at 1:00pm

ADJOURNMENT
Motion made by Mr. Arnett, seconded by Ms. Bourbulas to adjourn the meeting at 3:08 p.m. Motion carried without a negative vote.

Maureen Hartjes
Deputy Finance Director