CITY OF CEDARBURG
FINANCE COMMITTEE
August 20, 2024

A regular meeting of the Finance Committee of the City of Cedarburg, Wisconsin, was held online on Tuesday, August 20, 2024, utilizing the Zoom app.

Council Member Jim Fitzpatrick called the meeting to order at 1:09 p.m.

Roll Call:	Present -	Council Member Jim Fitzpatrick, Jack Arnett, Allan Lorge, Jeff Slater, Mary Kay Bourbulas and Michael Bradburn.
	Also Present-	City Administrator Mikko Hilvo, Finance Director Kelly Livingston and Deputy Finance Director Maureen Hartjes.
	Excused-	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 August 6, 2024. The motion was seconded by Ms. Bourbulas. Motion carried unanimously.

REPORTS

None

NEW BUSINESS

Administrator Hilvo presented updated loan information on the Safe Drinking Water Loan Program (SDWLP) – for Lead Service Replacement. Administrator Hilvo said the SDWLP loan terms had changed to twenty years instead of twelve years. Administrator Hilvo said with this loan program the City needs to take on the debt and Ehlers is not concerned with these loans impacting our debt capacity. Mr. Lorge asked who handles the administrative part of the loan; Finance Director Livingston stated Cedarburg Light and Water are supposed to take care of most of the administration. At year end Cedarburg Light and Water will let the City know who needs their loan payment placed on the tax roll. Ms. Bourbulas asked if residents can opt out of this program; Administrator Hilvo stated residents do not have an option to opt out. Administrator Hilvo said a total of about 900 services need to be replaced and the City had been able to use ARPA funds at the beginning of the project. Administrator Hilvo stated the cost per replacement could be about $5,000. Mr. Bradburn said the downside to this loan is that it is twenty years and will drag on the City's borrowing capacity. Finance Director Livingston stated several residents may pay the full project cost up front and not need a loan.

A motion was made by Ms. Bourbulas to send the SDWLP loan to the Common Council and was seconded by Mr. Lorge. Motion passed unanimously.

Administrator Hilvo presented a draft of the City's 2025 capital budget and stated a large part of the budget is for the Department of Public Works. Administrator Hilvo said the current proposed Capital budget levy is at $2,020,000. Administrator Hilvo stated legal fees for Prochnow are increasing, $40,000 from swimming pool impact fees will be utilized in 2025 to expand the shade areas in the pool and Emergency Government needs a new vehicle. Administrator Hilvo said the City is looking at leasing this vehicle and currently the Police Department vehicles are leased.

Administrator Hilvo reviewed the Capital Fund fund balance and said the estimated ending 2024 fund balance is $1,570,756 of which $965,546 is unassigned fund balance, assigned fund balance is $171,686 designated from Forward Cedarburg donation to use for a business park entry sign, $100,000 allocated to the FD Equipment Replacement fund, $300,000 assigned for Dam repairs and the Library has account $33,524 in fund balance and is planning on using $29,000 in 2025. Administrator Hilvo said the City needs to find additional revenue or cut expenses for 2025 in the amount of $89,337. Administrator Hilvo stated the City needs to keep the required fund balance of $476,210. Administrator Hilvo said the estimated ending unassigned Capital Fund fund balance could be around $386,873. Administrator Hilvo said if the City leased vehicles the City could have a higher Capital Fund balance.

Mr. Arnett asked if the City's lease agreements would depend upon miles driven and if the full miles are not driven would the City lose money. Mr. Arnett stated the City vehicles, such as the Emergency Government vehicle, should not acquire that many miles. Mr. Arnett asked if the City would be better off buying a truck, keeping it for fifteen years and buying the truck at the end of the lease. Administrator Hilvo said leasing makes sense because the City doesn't have the levy capacity to levy for all the needed capital purchases and leasing is one way to get all the equipment needed. Council Member Fitzpatrick asked to be reminded how this helps with the budget and levy. Administrator Hilvo said the City's levy can only increase by the amount of the City's Net New Construction rate and this determines the tax rate. Council Member Fitzpatrick asked if the City can take a five year loan from a bank or dealer to purchase a car. Administrator Hilvo stated the City's Debt Policy states the City can't use debt for vehicles. Mr. Slater stated the Finance Committee revised the Debt Policy and removed the statement that debt can't be used for vehicles. Administrator Hilvo stated he would investigate the policy updates. Mr. Lorge stated the Debt Policy was written when there were no levy constraints. Administrator Hilvo stated leasing expenses affect the operating budget and do not count towards the levy limit and borrowing doesn't affect the levy limit.

Administrator Hilvo said leases for City vehicles are not typical leases because the City outfits each vehicle for its specific purpose. Ms. Bourbulas inquired what the interest rate is for the lease.

Administrator Hilvo said he will have to ask the financing company. Mr. Arnett said to ask for the money factor or interest rate. Mr. Bradburn stated the State of Wisconsin loans are currently at 5.5%.

Mr. Slater said he read the 2023 Fire Department report, and it contained a lot of information including how many EMS calls are from assisted living. Administrator Hilvo said those calls are not reimbursed from Medicare and Medicaid. Mr. Slater stated most of all EMS calls are to nursing homes and these calls should at least be reimbursed the cost of providing the service. Administrator Hilvo said since the County is now providing dispatch services for the City and the City had four employees in Dispatch, there is a cost savings now.

Administrator Hilvo presented a draft of the 2025 Debt Service budget showing where the City currently stands with debt. Administrator Hilvo said the City has Debt Service fund balance available to use to decrease the debt service levy. Mr. Slater asked what the debt service requirement is and Finance Director Livingston stated that the auditors said the City should not keep a high debt service fund balance. Mr. Lorge added that if the City increases the debt service levy it would increase taxes.

Mr. Lorge said it would be helpful for the Finance Committee to see a pie chart showing only the debt levy for 2025-2028. Mr. Arnett said it would be beneficial to see the TID info separately using existing values. Administrator Hilvo stated that Ehlers would have this information. Mr. Arnett requested the name of the TID #7 loan be updated to “Extension of Hanover”.

Identify future agenda items, and action thereon

Discussion and possible action on Capital Improvement Budget
Discussion and possible action on Debt Service Budget
Review Debt Service Policy
Ehlers – Financial Management Plan

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

ADJOURNMENT

Motion made by Mr. Arnett, seconded by Ms. Bourbulas to adjourn the meeting at 2:18 p.m. Motion carried without a negative vote.

Maureen Hartjes
Deputy Finance Director