CITY OF CEDARBURG
FINANCE COMMITTEE
August 6, 2024

A special meeting of the Finance Committee of the City of Cedarburg, Wisconsin, was held online on Tuesday, August 6, 2024, utilizing the Zoom app.

Council Member Jim Fitzpatrick called the meeting to order at 2:01 p.m.

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

STATEMENT OF PUBLIC NOTICE

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

COMMENTS & SUGGESTIONS FROM CITIZENS

None.

NEW BUSINESS

Mr. Allen from Ehlers Investments presented a draft of the City's Financial Management Plan (FMP) and explained Ehlers starts FMPs by looking five years back at the City's budget and then projects five years in the future. Mr. Allen stated this is a proactive way for municipalities to budget and see how various scenarios impact the taxpayers and the levy. Mr. Allen said the City's draft FMP presented today does not include the Water Recycling Center (WRC) plans and WRC plans will be discussed at future meetings.

Mr. Allen shared an Equalized Value Projection Model which showed the City's valuation for the past six years and calculates the average change in values. Mr. Allen stated the last couple of years are not typical and the average change was between 8-10% which seems high to use for the FMP and Ehlers likes to be conservative and used a discount factor of 60% which brought the baseline to 4% for the equalized valuation projection. Mr. Allen stated this model includes two different values, TID IN and TID OUT. TID IN is the value that impacts the City's G.O. Debt limit and the amount borrowed; TID OUT value is used for the property tax levy.

Mr. Allen presented a City's Development Assumptions table which included the estimate of potential developments in the City over the next twenty years. This table included the City's TIDs, Fairway Village, Stonelake Condos, Cedarway Condos, and Neumann Single Family Homes. Mr. Allen explained this model uses TID IN values and this table presents a realistic view of the City's Net New Construction value. Administrator Hilvo briefly summarized the developments and stated any development on TID 4 would start no sooner than 2031; TID 6 has vacant land available to develop; TID 7 will be completed soon; and Neuman Single Family homes has not yet been approved by Common Council. Administrator Hilvo stated the developments shown in this table are residential and not in a TID and will be supported by the property tax levy. Mr. Allen went on to discuss the Development assumptions – NON-TID only and said there is an estimate of $291,000,000 in additional value.

Mr. Allen discussed the City's Existing G.O. Debt Base Case table which shows the City's current debt. Mr. Allen stated for 2024 the debt service tax rate was $0.66 and annual taxes for a $400,000 home were $266. Mr. Slater asked what the value of a $400,000 home would be in 2044, and Mr. Allen said it is estimated to be $695,000.

Mr. Allen presented a Capital Improvement Plan (CIP) and Funding Uses summary which showed CIP by department and estimated sources of funding for years 2024 through 2031. Mr. Allen stated the City has funded capital projects in the past with levy cash however with the increase in projects the levy capacity is not there. Also, the City has planned to increase its capital levy by about $100,000 per year and then utilize Capital Fund fund balance Mr. Allen said this will not be enough to fund the projects listed. Mr. Arnett asked if the projects listed are a "wants" or "needs" list and Administrator Hilvo stated only "needs" are listed; a lot has been cut already. Mr. Slater asked if the amount shown for road improvements is a realistic amount. Administrator Hilvo answered the amount for streets is realistic and the large increase in 2027 is due to the Washington Avenue Street project.

Mr. Allen presented a Capital Improvements Financing Plan summary showing a borrowing for a Public Safety building in 2027, with four scenarios based on what would be included in the borrowing. Mr. Allen showed the options of borrowing where the borrowing could include the Public Safety building and then adding on one or all the following: streets portion, Parks and Rec portion and Prochnow Landfill portion. Mr. Allen showed the net bond size including all four projects, based on project total estimates, would be about $35,575,000. Mr. Voeller asked if our Public Safety building would be like what the City of Port Washington is building. Administrator Hilvo stated he wasn't sure how the City's compared to Port Washington and went on to say that a needs assessment is being completed which will provide more information on the project needed. Mr. Arnett asked if the City's is planning on replacing the current Public Safety building or adding on. Administrator Hilvo stated that it would be replacing the current Public Safety Building. Mr. Lorge asked the age of the current building and Administrator Hilvo stated the building is about twenty-four years old. Mr. Lorge asked if this building is a "wants to have" or "must have" for the City. Administrator Hilvo stated it is a "must have". Mr. Lorge asked if the City will need to build a new Public Safety building every twenty to twenty-five years. Administrator Hilvo stated the hope is with the new Public Safety building the City wouldn't have to do that.

Mr. Allen stated a 2027 borrowing for only the Public Safety building of $35 million would increase the debt service levy to about $3.3 million until 2047 and the total tax rate for debt service would be about $1.20 which is $550 for a $400,000 home which is a $449 tax increase from existing. Ms. Bourbulas asked what the estimated borrowing cost included in the spreadsheet was and what interest rate was used. Mr. Allen stated an interest rate of 4.15% was used which is a smidge above current market rate.

Mr. Allen presented a G.O. Debt Capacity Analysis based off a $35 million borrowing and showed the City would be at 40% of the City's debt limit. Mr. Allen stated that municipalities are not supposed to be higher than 65-75% of the debt limit. Mr. Arnett asked what other communities are typically at and Mr. Allen stated it depends upon the community, some are as low as 10-15% however most are in the 40-60% range.

Mr. Allen presented a Financing Plan Tax Impact table showing a borrowing of $45 million for a Public Safety building and showed the City's debt service levy would increase to $4 million until 2047 with a total tax rate for debt service of $1.47 and $677 taxes for a $400,000 home, which is a $576 increase from existing taxes. Mr. Allen said a borrowing of $45 million would put the City at about 47% of the G.O. Debt limit.
Mr. Allen presented a Financing Plan Tax Impact table showing a borrowing of $55 million for a Public Safety building and showed the City's debt service levy would increase to $4.8 million until 2047 with a total tax rate for debt service of $1.75 and $803 taxes for a $400,000 home and an increase of $702 from existing taxes. Mr. Allen said a borrowing of $55 million would put the City at about 55% of the G.O. Debt limit. Mr. Lorge asked if twenty years was the maximum for borrowing. Mr. Allen stated that for G.O. Debt it is twenty years however some communities who cannot afford a twenty-year borrowing can use Lease Revenue Bonds which can be up to forty years. Mr. Allen said by using Lease Revenue Bonds the City would pay more interest however, there is added benefit by retaining the debt limit. Council Member Fitzpatrick asked Ms. Bourbulas her thoughts on Lease Revenue Bonds and Ms. Bourbulas stated the Lease Revenue Bonds would cost a lot more plus the City's bond rating would decrease.

Mr. Allen presented a Projected Tax Levy and Rate table and a Forecast table. Mr. Allen stated that in projecting figures for the City, Ehlers categorized revenues and expenses into bucket types and each bucket is inflated at different rates depending on where costs are going. Mr. Allen said 1% was used for commodities, 11% employee insurance, 3% for property and liability insurance, 3% for wages and 6.9% for retirement. Ms. Bourbulas asked Finance Director Livingston what the increase in insurance has been. Finance Director Livingston stated that health insurance will be increasing about 11% in 2025 and was unsure about property and liability insurance. Finance Director Livingston stated that retirement will be at 6.95% for regular staff and between 14-15% for protective staff.

Mr. Allen reviewed the tax levy and rate table and mentioned the table goes from 2020 through 2029, the General Fund levy shows an increase of about $300,000 in years 2025 through 2029. Mr. Allen stated in 2025 there is a $1.7 million step up in total property tax levy due to the Fire Department and EMS referendum. Mr. Allen said with a 2025 levy of $13,281,931 and the estimated average home assessed value of $356,000, the increase in tax would be $309.71.

Mr. Allen presented a Projected Cash Fund Balance by Fund summary and discussed the Debt Service Fund and Capital Improvement Fund. The City will utilize the Debt Service Fund balance in 2025 which will allow the City to use the additional levy adjustment on the Levy Limit Worksheet, line E. Mr. Allen stated it is appropriate to decrease the Debt Service Fund balance to zero as this fund should not carry a fund balance. Mr. Allen stated that the City can utilize the Capital Fund fund balance in 2025 but then it will be depleted.

Mr. Allen stated the solution is to decrease costs or find alternative revenue sources to help fund capital projects. Administrator Hilvo stated the City is currently looking to lease DPW vehicles and that could be a cost savings and also stated the City may need to push back projects. Mr. Arnett asked if impact fees are considered revenue and that the fees are currently $9,000/home. Mr. Allen said impact fees are not considered revenue.

Mayor Thome stated the current Fire Department is inadequate and not usable. Mr. Slater asked if it is possible to have sub stations around the City instead of a main station. Administrator Hilvo stated that is not an option. Council Member Fitzpatrick asked if there could be a cost sharing agreement with the Town. Administrator Hilvo stated no, the Town will not participate in sharing capital purchases and the current agreement with the town is for ten years.

Mr. Arnett stated that once the Neumann project is completed the City will be landlocked and after this happens the City may not be able to grow as much. Mr. Arnett asked Mr. Allen if he took out the Neuman Project with an estimated $211,000,000 in value, from the Development Assumptions total, what the impact would be to the taxpayer. Mr. Arnett said it is important that if the City does not develop there would be a significant impact to the taxpayers.

Mr. Arnett requested Mr. Allen label the TIDs in future presentations. Mr. Arnett said the TID #4 increment, shown in the second table, may not happen. Administrator Hilvo stated it could happen, but more conversations need to take place. Mr. Arnett requested Mr. Allen add footnotes to schedules such as the Capital Improvement table to show why there are large increases in some years such as Prochnow or the Washington Street project. Mr. Arnett estimated that every additional $10 million borrowed by the City, could result in about an $11/month tax increase per home.

Mr. Allen presented a Levy Limit Worksheet forecast model and noted that for 2025 through 2027 the city will be ok for the levy limit however with a borrowing in 2027 the City may have a gap of about $315,025 and not meet the levy limit.

Identify future agenda items, and action thereon
Discussion and action on Lead Service Loan Program
Discussion and possible action on Capital Improvement Budget
Discussion and possible action on Debt Service Budget

Confirm Next Meeting Date August 20, 2024, at 1:00pm

ADJOURNMENT
Motion made by Mr. Arnett, seconded by Mr. Voeller to adjourn the meeting at 3:20 p.m. Motion carried without a negative vote.

Maureen Hartjes
Deputy Finance Director