



ABSTRACT/SYNOPSIS OF THE ESSENTIAL ELEMENTS OF THE OFFICIAL ACTIONS OF THE FINANCE COMMITTEE OF THE CITY OF WHITEWATER, WALWORTH AND JEFFERSON COUNTIES, WISCONSIN.

Finance Committee Meeting Minutes of April 12, 2022

1. Call to Order and Roll Call - The meeting of the Finance Committee was called to order at 4:30 p.m. by Greg Majkrzak Members Present: Greg Majkrzak, Lynn Binnie, Lisa Dawsey Smith and Finance Director Steve Hatton. Guest include Greg Johnson from Ehlers & Associates, Inc. and Kevin Krysinski of Johnson Block & Company. City Manager Cameron Clapper arrived at 5:33 pm due to attending another city meeting.
2. Hearing of Citizen Comments – No citizens were in attendance.
3. Review and Approval of Finance Committee Meeting Minutes from February 24, 2022  
Binnie made a motion to approve the minutes with a second from Dawsey Smith  
Ayes: Binnie, Dawsey Smith, Majkrzak  
Noes: None  
Abstained: None  
Absent: None  
The motion was approved by unanimous voice vote.
4. Staff Updates – Hatton requested that the audit (5.a.) and bond issuance (5.b.) be moved ahead due to the guests in attendance. The Finance Committee agreed.
  - a. Financial Update – FYE 2022 – Hatton reviewed the year-to-date financials (page 5 of the packet) through the end of March with explanations of the deficits. Jill Gerber asked about the Cable TV fund, Sick Leave Severance Fund and Library Fund deficits have no comments. Hatton said Cable TV was budgeted to use fund balance in 2022. Sick Leave Severance fund is funded by transfers from the General Fund, Library, and utilities based on the accumulated benefit due to those eligible to retire in the coming several years. The Library is currently in deficit as they had not yet received their annual payment from the county. Gerber asked how many people are left with sick leave payout and Hatton said somewhere around 30. Hatton then reviewed the revenues and expenditures (page 6 of the packet). In 2021 there was \$3.6 million in revenue and so far in 2022 there is \$3.8 million, \$160,000 favorable. In 2021 there was \$2.146 million in expenditures and in 2022 there is \$1.963 million, \$182,000 favorable. Hatton mentioned the General Fund cost center grouping revenue (page 7 of the packet) and the revenue detail (page 8 of the packet). Hatton discussed changes to the interest rates yield curve and annual inflation trending (page 11 of the packet).
5. Discussion/Direction on the following:

- a. 2021 Draft Audit Presentation – Hatton introduced Krysinski of Johnson Block and said that he has worked with the city since 2007. Hatton said the draft report will be finalized for the next common council meeting. Krysinski gave a review of the draft audit, which would be approximately 100 page. The report contains fund financial statements with footnotes providing details about cash, receivables, capital assets, pension plan and government-wide financial statements. Also included are two type of fund financial statements, governmental and enterprise (water and sewer). There is also a management letter and recommendations. Krysinski said there are no real changes and the biggest concern being the Whitewater Aquatic and Fitness Center (WAFC). When the city took over management the recommendation was to true-up the budget and get good financial projections. WAFC has accumulated an operating deficit of approximately \$400,000, which is funded by the General Fund. Krysinski said that COVID-19 caused problems for everyone and the downward dip will cause a larger subsidy going forward. Krysinski said the second significant area going forward is the implementation of a new accounting standard for leases (ASC 842 and GASB 87 & GASB 96 in the U.S.; IFRS 16 internationally) that will add complexity to financial statements. Krysinski said the General Fund (GF) balance increased to \$456,000 in 2021 due to the termination of TIDs 4-9. After paybacks an excess of \$300,000 went to the GF unassigned fund balance. The Unassigned Fund Balance is now at 25% of annual total expenditures and transfers, which is healthy. The goal was always 20%, but had trended down before improving over the past five years. A new Affordable Housing fund was established to receive the increment from the extension of TID 4. ARPA money that was not spent was moved into deferred revenue. Water and stormwater cash flow was negative due to starting major projects before borrowing. Krysinski said that the utilities are doing fine and sewer cash flow was positive \$64,000, which was break even. Binnie mentioned some typos in the draft report that needed to be fix and asked that low income housing be changed to affordable house in the final report. Binnie asked that under item 13 (page 59 of the packet) the on-going efforts to bring the fire department in-house be documented. Krysinski asked Hatton for the wording to be sent to him for inclusion. Majkrzak mentioned the WAFC negative balance and how if the referendum at the end of the year to incorporate the fire department doesn't pass then what services does the city not do to support the fire department. Binnie said that the WAFC subsidy is not realistic and many municipalities don't breakeven unless they are in high use areas. Hatton thanked Krysinski for the presentation. Dawsey Smith asked for more information on items effected by the Leasing Standard. Hatton said there is limited financial value, but it will add significantly to the audit.
- b. 2022 Revenue Bond Issuance – Hatton reviewed the 2021-2023 Capital Improvement Financing Plan memo. Binnie asked since there was a surplus in the General Fund, couldn't the portable radios be purchased. Hatton said the list was compiled before the end of 2021 and could be brought back for review. Hatton then introduced Greg Johnson from Ehlers & Associates, Inc who then reviewed the Ehlers City of Whitewater Preliminary Water & Sewer Utility Financing Plan presentation. The key components are to 1. Retire existing 2011/2012 Water Revenue Bonds and 2012 Sewer Revenue bonds using funds on hand from the debt-service reserve of each utility and \$100,000 of unrestricted cash of the Water utility. 2. Gain approval from

the State of Wisconsin to expand the security pledge on the outstanding Clean Water Fund Loans used to fund Sewer projects in the past to include Water Revenue. After completing these two items, the City is then able to issue a single Revenue bond supported by the combined revenues of both the Water and Sewer Utilities. Both utilities will continue to be managed separately and will remain responsible for their respective share of the debt service. Greg reviewed the financing plan and projections of the utilities' ability to make the debt service payments and meet the debt service coverage covenants that will be required by the bonds. These projections illustrate that the utilities won't violate the bond covenants even in the worst-case scenario where the TIDS don't contribute their portions of the payments due. Greg then reviewed the cash flow forecasts of each utility and the adequacy of rates, which was refreshed from the same analysis presented during the budget process. This cash flow forecast excluded any payments coming from TIDs. Consistent with the budget analysis, a 24% water rate increase will be required in 2023 that will require a full rate case be filed with the PSC in the next several months. A 5% rate increase will be necessary for the Sewer utility until 2024.

Greg reviewed the plan to accelerate the bond issue as soon as possible and described the heavy bond sale competition as many communities' Councils meet on Mondays/Tuesdays. Greg proposed a Parameters sale, whereby the Council could maintain its existing meeting schedule and empower the City Manager or Finance Director to authorize the bond sale on a date other than Tuesday as long as pre-defined requirements are met. Dawsey Smith asked about including an elected official in the parameter's sale or whether a special meeting of the Council could be held, given enough notice. Dawsey Smith voiced a preference for a special meeting due to the size of the issue and to provide another opportunity for the public to learn more about the process and to ask questions.

Dawsey Smith made a motion to recommend the financial plan for approval by Council and set a special meeting for May 19<sup>th</sup>. There was a second from Binnie.

Ayes: Binnie, Dawsey Smith, Majkrzak

Noes: None

Abstained: None

Absent: None

The motion was approved by unanimous voice vote.

5. Future Agenda Items –

- a. Binnie – Planned note financing – evaluation of some/all being replaced with cash funding from fund balance.
- b. Hatton – Whitewater Aquatic and Fitness Center Status Update

6. Discussion of Next Meeting Date: The next Finance Committee meeting will take place on May 24, 2022 at 4:30 pm.

7. Adjournment: Binnie moved to adjourn the meeting with a second by Dawsey Smith.

Meeting adjourned at 6:01 pm

Respectfully submitted,

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