



Finance Committee Meeting Minutes of May 26, 2020

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

(The audio of this meeting is missing agenda items 1, 2 3, and a portion of 4.a.)

1. Call to Order and Roll Call – Allen called the meeting to order at 4:32 pm. Present at the meeting were Committee Members Jim Allen, Patrick Singer and McKinley Palmer. Also present, City Manager Cameron Clapper, Finance Director Steve Hatton and HR Coordinator Judy Atkinson, and Kevin Krynski of the City’s Audit firm, Johnson Block and Company.
2. Review and Approval of Committee Minutes from April 28, 2020 – Singer made a motion to approve minutes of April 28, 2020 with a second by Palmer. The motion was passed by unanimous voice vote.
Ayes: Allen, Singer, Palmer
Noes: None
Abstained: None
Absent: None
3. Hearing of Citizen Comments – No members of the public were in attendance.
4. Discussion/Direction on the Following:
 - a. 2019 Financial Audit Report Presentation – Kevin Krynski of audit firm Johnson-Block presented the 2019 Financial Audit Report. Krynski noted a number of items:
 - the audit received an Unmodified opinion.
 - staff had followed up and closed comments made in the prior audit.
 - the General Fund (Fund 100) fund balance improved during 2019, reaching the policy target of 20% of current year expenditures and transfers. This continues a trend of improvement over the past several years.
 - The Whitewater Aquatic Fitness Center deficit has grown to \$260,000 and funding levels will need to be reviewed over the several years.
 - The utility cash flows and net income increased: Water net income was \$40,790 and cash flow increased \$199,000. The sewer had positive net income and a positive increase in cash flow of about \$150,000. Storm water also had a net income of \$84,000 and increase in cash of approximately \$91,000. The Sewer utility project, which had been in the works for several years, was finalized and capitalized.
 - General obligation debt limit is \$34.8 million and outstanding general obligation debt is \$21.8 million, providing ample capacity before the planned 2020 borrowing.
 - City TIDs are nearing completion. Hatton stated that there should be enough increment to retire the debt in 2021, but the timing of the TID closure has not yet been determined.

Allen asked if there as anything that the city council should know about. Krynski said positive fund balance is trending in right direction. One area to monitor is fund deficit of the Aquatic Center. Since the City took possession of the facility, it has accumulated a deficit of approximately \$260,000. Allen stated it was known that there would need to be additional support to fund it when it was built. Krynski mentioned looking at transfers from the general

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fund and school to formally resolve this deficit in the Aquatic Center (Fund 247). On an annual basis the fund should be made whole. Hatton said progress continues to be made. When the city took it over in 2016 the loss was \$90,000 per year. In 2019 it lost a little over \$10,000 due to expense controls and adjusted rate structure. There have been talks with the school board administrators concerning the MOU and the accumulated deficit.

Hatton gave thanks to Johnson-Block team. The city is assuming more of the year-end closure process previously supported by Johnson Block. Karen Dieter implemented a fixed-asset accounting module in-house that enabled more of the year-end entries to be made in house our records were in good shape for the audit work to begin.

- b. 2020 Salary Resolution 2 – Atkinson discussed the changes to the salary resolution. The Whitewater Professional Police Supervisor’s Association (WPPSA), police supervisor’s union contract was ratified is now reflected in the salary resolution reflecting no salary increase for 2020. The GIS Technician’s FLSA status was updated to non-exempt or hourly. After review of the dispatcher wages of other municipalities and using MRA (HR specialist vendor), the Communications Coordinator’s wage was adjusted and the Dispatcher/Records Communications Aide position was separated into two position tiers - I and II. The new, more senior position (I) reflects an increase over the current (II) dispatch. Allen asked what the general raise would be for Dispatch. Hatton clarified that the changes in the Salary Resolution does not directly confer a raise to affected staff, but merely provides a wage range that is competitive and authorized. Any wage treatment for individual staff would be separate action to be authorized by the City Manager. The city wage was low for experienced dispatchers. Allen mentioned a possible future increase in pay for state mandated emergency medical dispatch (EMD). Clapper stated it will be a future consideration.

Singer made a motion to move to recommend to council adoption of the salary resolution with a second by Palmer.

Ayes: Allen, Singer, Palmer

Noes: None

Abstained: None

Absent: None

The motion was passed by unanimous voice vote.

- c. Policy Development for Treatment of Land Sale Proceeds – Hatton said that there is no policy where proceeds from city properties for sale go. Clapper said that other municipalities have a revolving fund where proceeds from property sales are kept for the city to purchase property. Clapper and Hatton are looking at broader flexibility for the city to use the dollars for other uses and to clarify how the funds will be spent in the future. Singer said that sales don’t happen all the time so it is good to have some rules. Clapper stated that in the past there was confusion where the funds would go. The finance committee members agreed that it would be good to develop the policy.

5. Staff Updates.

- a. Financial Update – Year to Date. – Hatton reviewed the city financials as of April 30th as captured in the packet material. Utility revenue is smooth on a monthly basis, but other revenue streams are not. Hatton reviewed the revenues and expenditure summaries for the 2020 year-to-date period through April were nominally ahead of the same period in 2019. Hatton said that closures due to the COVID-19 will predominately affect revenue in Park and Recreation programs.

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- b. 2020 Capital Project Borrowing Update – Hatton said the initial authorizing resolutions taking 2019 and 2020 bond eligible projects and putting permanent financing in place were approved at the May 5th Council meeting. Next week there is a meeting with Standard and Poor’s (S&P) to discuss ratings. Ehlers, Inc. is creating an official prospectus for bond offerings for investors to review with a June 9th release. On June 16th award sale of bonds and on July 8th fund and issue. Some of the proceeds will be used to retire the temporary borrowing for 2019 projects by July 10th. The 2010 bonds that are being refinanced will be callable on September 1st.
- c. Moody’s Credit Rating Updates of Whitewater - Hatton reviewed the recent credit rating updates issued by Moody’s. On January 31st, Moody’s issued updates for the City’s Water Utility and General Obligation debt affirming the ratings in place, A1 and Aa3 respectively. In April, Moody’s then opened a review of the Sewer Utility before re-opening the Water and General Obligation ratings again.

Despite having no new information from the January 31st rating update, Moody’s released new ratings on May 5th in which the General obligation debt was downgraded from Aa3 to A1 - one level in rating. The ratings issued for the Water Revenue debt and Sewer Utility Revenue debt were both rated at A1 – unchanged for Water and an upgrade from A2 for Sewer. Allen asked if the downgrade would make the additional borrowing more expensive due to the downgrade. Hatton said it would potentially – which is one reason to switch to S&P for the new bond issue. Clapper said that he shared frustration with Moody’s with the council a few weeks ago in that they would change the credit rating on our General Obligation debt without any new information.

- 6. Future Agenda Items - None
- 7. Discussion of Next Meeting Date – The next meeting will be held virtually on June 23rd at 4:30pm
- 8. Adjournment – Singer moved to adjourn with a second from Palmer. Motion passed by voice vote.
Ayes: Allen, Singer, Palmer
Noes: None
Abstained: None
Absent: None

The finance committee adjourned at 5:27 pm.

Respectfully submitted,

Kathy Boyd

Executive Assistant