

****SPECIAL FINANCE MINUTES****
September 29, 2022

**SAUKVILLE MUNICIPAL CENTER AND VIA ZOOM
649 E. GREEN BAY AVE., SAUKVILLE, WI 53080**

Village President Barb Dickmann called the meeting to order at 6:00 p.m.

Village Clerk Julie Friede gave the Statement of Public Notice.

Members: Barb Dickmann-present, Scott Fischer-present, Richard Belling-present, Jim Nowlen-present, Trevor Seitz-present, Andy Hebein-absent, and Peter Janus-present

Others Present: Dawn Wagner, Julie Friede, Ray Hartmann, Dale Kropidowski, Lisa Trebatoski - Ehlers and Greg Johnson - Ehlers

Financial Management Planning Session Presentation (Ehlers & Associates)

Johnson provided an overview of the Village of Saukville's 2022 Financial Management Plan (Copy of Presentation Attached)

Johnson stated the Village had establish its first Financial Management Plan in 2016. The Plan includes multi-year forecast of all Village's operational funds as well as the community investment program (CIP) with trends with the property tax levy and reviewing water and sewer utility cash flow.

The FMP objective:

- Village's financial trends for operational & capital budgets
- Long-range levy forecast that incorporates General Fund, capital projects, and debt service
- General assessment of fiscal strengths & weaknesses
- Framework for 2023 Budget process. "all in model"

Johnson stated the Village has an Aa3 rating from Moody's. Historically Saukville has had very sound financial operations/management, very healthy reserves and strong equity.

Johnson included the Village of Saukville goes through the financial review as an annual process, this is characterized as a strong management approach with progressive fiscal planning.

Seitz inquired how many other villages or towns work with a Financial Management Plan and how does that effect their financial process.

Johnson stated less than 50% of villages or towns work with a Financial Management Plan which does not allow them to plan appropriately for the future of their community.

Johnson provided a breakdown of the Fund Balance including:

- Non-spendable
- Restricted
- Committed
- Assigned
- Unassigned

Johnson addressed the Unassigned General Fund Balance, he stated the Unassigned Fund Balance, per the Village's policy, should be between 16.6% and 30% of operating expenditures. The Village of Saukville at the end of 2021 is currently at 52.78% in the Unassigned Fund Balance. If \$264,800 of the Unassigned Fund Balance is transferred to Capital Project Fund, 2022 percentage would be approximately 45%. He noted that the Village already assigned \$64,800 in 2022 (see page 7).

Johnson stated the Unassigned Fund Balance is not recommended to be used for day-to-day expenses. The Unassigned Fund Balance should be used to cover emergency expenses, fund future capital projects, equipment purchases, debt reduction, or unanticipated revenue shortfalls. (see page 6)

Fischer questioned if the village taxes could go down, instead of having an increase each year. This could keep the fund balance at a leveled amount.

Johnson replied stating that the practice of applying the funds to capital projects and having stronger revenues the Village is able to pay for operational costs.

Wagner asked Johnson to explain the \$90,000 of Fund Balanced included in the Village's Annual budget.

Johnson stated \$90,000 of assigned fund balance is used to balance the budget annually. Village has not used this historically.

Johnson discussed levy limits stating they have been in place since 2005. The Village can increase the levy by the percentage of the net new construction (NNC) every year. There are also adjustments for debt service. The Village has not historically claimed a levy limit adjustment equal to the amount of levying for debt. The Village has levy flexibility because Saukville has not increased the levy to the amount we could under State law. (see page 8)

Johnson discussed the NNC percentage over the past several years has increased anywhere from \$12,000 - \$55,000 at most above the Net New Construction. (see page 9)

Johnson provided Village Levy Components:

- General Fund
- Capital
- G.O. Debt Service (Future Debt)

Johnson then discussed the TID in Equalized Value History with a five-years of historical data per Wis. Dept. of Revenue. Showing all the taxable property within the Village with an increase of 8.9% in 2022 valuation year. The bulk for the change is due to Economic Change/Appreciation. (see page 11)

Johnson also included the TID Out projections, again using a five-year history and discounting by 50% to be conservative. Which gives an 3% increase in the tax rate. This percentage is below where the Village of Saukville has been trending in the past. (see page 12)

Johnson talked about the General Fund Expenditure Methodology

- Commodities
- Employee Insurance
- Insurance
- Services
- Wages

Showing an increase of approximately 3%. (see pages 14-15)

Hebein inquired about inflation and if we have taken a more aggressive approach.

Johnson stated they have been a little more aggressive, but increases will not be consistence over the next five years.

Johnson talked about the Village Community Investment Plan. (CIP)

The Village CIP shows the Village detail project list and the year they are planned to take place. (see pages 16-17)

Johnson stated the Village uses good practices to set aside funds for future projects.

Ehlers is proposing that the Village of Saukville transfers \$200,000 from the General Fund Balance Account to the Capital Account for projects in 2023 to cash fund equipment/projects.

Johnson continued by discussing the Debt Service Levy - existing tax levy for debt service. The Village will typically borrow funds to purchase equipment every other year. Last time the Village borrowed funds was in 2021. (see page 20-21)

Johnson stated there is a limit to the amount of General Obligation Debt the Village can have outstanding, under state law the debt can not be more than 5% of the total equalized value. This does include property within the TID District.

The Multi-Year Budget Forecast Incorporates all aspect of levy: General Fund, Capital Outlay and Debt Service, as well as the Community Investment Plan incorporates all projects identified for borrowing in CIP and illustrates the impact of financing all the projects. (see page 22-23)

Ongoing Budget Tools:

- Tax levy & rate objectives
- New service or initiatives
- Permissible decreases in service levels
- Capital project prioritization
- Acceptable debt financing levels

Trebatoski reviewed the Water Utility CIP & Sources of Funding. (see page 27)

Trebatoski stated that Ehlers has identified a strength and weakness within the Water Utility.

The Village of Saukville Water Utility has a healthy cash reserve. This allows the Water Utility to cash fund some of the projects.

Trebatoski spoke about the all-in debt coverage. She stated when the Village issues revenue debt, the Village has to prove that they can pay the debt service and maintain 1.1 -1.25% of the annual debt payment. The cash revenue and expenses have to be at 1.1-1.25%, and we have not maintained sufficient revenues to maintain this coverage.

Trebatoski stated there will be a rate increase of 4.5% effective January 1, 2023. (see page 29)

Trebatoski then reviewed the Sewer Utility CIP & Sources of Funding . (see page 30-32)

Trebatoski states the Sewer Utility cash and revenue are exceeding the expenses and increasing the cash balance. At this time Ehlers does not recommend a rate increase.

Wagner stated in November 2022 there will be a notice in the paper for the 4.5% rate increase for the Water Utility rates.

Belling questioned the increase for 2026 of 37.92%.

Wagner explained that this is a projection if the STH 33 Eastside Water Loop Project is approved.

Seitz questioned the 2030 Well #5- Iron Filter Treatment Plant and if this project can wait until 2030.

Wagner stated this is a plan and the timing of the project can be reviewed/changed to meet the needs of the Village.

Seitz then inquired about rate increases for 2024 and 2025.

Trebatoski stated there is a limited opportunity with PSE, we can not increase rates unless the assets are found useful in order to count toward the rates. The village would have to qualify for a simplified rate increase. The rate of return would have to qualify below benchmark.

OTHER MATTERS

Wagner read an email from Waste Management stating to help re-build their relationship with the Village of Saukville, there would be no rate increase for 2023. Staff will also be tracking any issues, and credits may be issued to the Village as well.

Seitz complimented Wanger and Chief Rice for all their hard work; after Seitz and Fischer went to another town board meeting and realized how far advanced the Village of Saukville is in compare to other Municipalities.

ADJOURNMENT

Seitz/Nowlen made a motion to adjourn. Motion carried at 7:15p.m.

Julie Friede
Village Clerk