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Office of Administration
Taped and Televised

APPROPRIATIONS COMMITTEE
Wednesday, October 9, 2024
6:00 PM
Christine Nuernberg Hall

Minutes

- 1) Call to Order
- 2) Pledge of Allegiance
- 3) Roll Call

Present:

Mayor Andrew Nerbun
Aldерwoman Kelly Tolocko
Alderman Jeffrey Hansher
Alderman Gregg Bach
Alderman Dale Mayr
Alderman Brian Parrish
Alderman Peter Bratt
Alderman William Gebhardt
Alderman Robert Strzelczyk

Also Present: City Administrator Jones, Assistant City Administrator Schoenemann, Finance Director Arnett, Assistant Finance Director Keyser, Community Development Director Tollefson, Public Works Director Lundeen, Fire Chief Bialk, Police Chief Pryor, City Clerk Fochs, Executive Assistant Enea and Library Director Muchin Young

- 4) Budget Overview, Projects and Priorities

City Administrator Jones provided an overview of the budget process that the Budget Team and City staff have been working under to prepare a budget that takes effect January 1 and that will support all employees in their daily tasks of serving the City. It is a straight-forward budget with money needed to complete ongoing projects identified within the City's Strategic Plan such as Streetscaping along Port Washington Road, expanding the Lemke Park Pavilion, a new Agenda Management System, a Port Washington Road Market Study, Brush Site Automation, and a new Land Management System. Behind the scenes projects that are also underway that are not specifically included in the budget, include the Community Pool, the East Side Fire Station, the

Public Safety Building, a new approach to Sewer Utility Funding, and Lift Station E. Other initiatives receiving funding in 2025 include the City-wide Community Survey, a revaluation of all City-wide properties, wage & benefit increases, the Weyenberg Library, Southern Ozaukee Fire Department, and the final phase of recommendations from a compensation analysis completed in 2022. Administrator Jones briefly summarized the Budget team's priorities in formulating the City's last several budgets, which are: (1) fulfill salary and benefit obligations, (2) address compulsory, or mandatory expenditure increases, (3) boost pay-as-you-go capital funding, (4) preserve revenue capacity into future years, and (5) incorporate supplemental funding requests.

5) General Fund, Revenue Considerations, and Expense Considerations

Mr. Jones then presented the General Fund Revenues, which have increased in all categories except for Public Safety Fees. The City's biggest source of revenue, property taxes, is projected to increase by \$360,000. State revenue, which saw a significant increase in 2024, is now tied to inflation and is increasing by \$20,000. Interest income has more than doubled over the last two fiscal years and is budgeted at an increase of \$50,000. Overall, revenue for 2025 will be increasing by \$640,000. Some revenue considerations to take into account are that under State law, a municipality is allowed to increase its levy over the amount it levied the prior year by the percentage increase realized from net new construction. For 2025, net new construction is up 0.98%, making \$208,000 available to the City. Additionally, the closure of TID #2 will bring \$57,629 in new tax revenue. Summarily, the City is projecting increases in shared revenue, road aid, and interest income and decreases in highway aid and court penalties. Unused levy capacity that the City can use this year or in future years is estimated to equal \$65,000.

Administrator Jones then reviewed the General Fund Expenditures. From 2024 to 2025, salaries are projected to rise by 3% and benefits are increasing by 7.5%. Additionally, equipment and leases are also increasing by 7.3%. Other expenses to take into consideration are health insurance premiums which are projected to increase by 8.9%, totaling \$189,609. Essentially, the revenue gained from net new construction will cover this cost alone. The employer contribution to retirement for general employees has increased 0.725%, and 4.54% for protective employees, equaling \$77,379. The largest expense is the wage category, which is budgeted to increase by \$382,000. This includes the third and final recommendation of the employee compensation plan. Mr. Jones explained how the Budget Team carefully examined all line items. Operating budget expenses realized a decrease of \$53,610 and only \$13,970 of compulsory funding requests were allocated. Alderman Strzelczyk inquired what was the driver in these benefit increases and how can the City mitigate moving forward? Mr. Jones referenced a Wall Street Journal article from that day that reported how over the last two years, companies have been absorbing an average 7% increase in health insurance costs. Prior to last year's unusually large 11% increase, it was only an increase of 3 - 6% per year. Assistant City Administrator Schoenemann explained how the City is grouped together with all other state employees, and the State's Insurance fund investments were not performing well. The City is examining cost control options going into next year. There are wellness initiatives already in place, but they do not yield employer savings. Mayor Nerbun questioned why the state would make such risky investments and Alderman Strzelczyk suggested drafting a City letter challenging their investment practices. Alderman Bach asked about offering spouse incentives to not take the City's plan. Assistant City Administrator Schoenemann reported that option had already been investigated and that

such was not a viable option. Alderman Strzelczyk asked if the City was locked into using the State's plan. Mr. Schoenemann replied by indication that the City would automatically be removed from the plan if they even tried to bid it out.

6) Capital Financing

Mr. Jones then presented an update on Capital Financing. Since 2015, pay-as-you-go funding has increased 56%. The capital requests for 2025 totaled \$5.87 million, an increase of \$852,000 from 2024. For 2025, the City's combined amount for capital spending and debt service totals \$4.24 million. In 2025, there will be a debt issue for the Road Program, Lift Station E, and possibly other projects. The City is well positioned to take on additional debt as no debt is currently scheduled beyond 2033. Funded items for 2025 include road maintenance, Public Works vehicles/equipment, Police Vehicles/equipment, building repairs, Fire & EMS vehicles/equipment, Emerald Ash Borer/tree replacement, Parks, IT/computer replacement, and pool repairs. Alderman Parrish inquired why funding was needed for pool repairs. Mr. Jones stated that major repairs were needed for the Community Pool to stay in operation or repairs would most likely be needed if the City purchased another pool. Alderman Strzelczyk inquired if funding for Emerald Ash trees would be tapering off. Public Works Director Lundeen replied that ash trees now needing to be cut down are harder to get to. The easier ones have been removed and the City would like to start planting replacement trees as well. Alderman Parrish then asked if the budget allowed for expanding the north parking lot at Katherine Kearney Park, if Lemke Park rental fees are going to increase after the new pavilion is completed, and if the Parks budget was being decreased by \$5,000. Staff responded that funds will be allotted for the Katherine Kearney parking lot, Lemke rental fees will be adjusted in the Spring, and the Parks budget is seeing an increase from \$645,000 in 2024 to \$662,000 in 2025.

7) Component Units - Weyenberg Library and Southern Ozaukee Fire & EMS Department

City Administrator Jones then spoke briefly about funding for the Library and Southern Ozaukee Fire & EMS Department (SOFD). Over the last three years, Weyenberg Library has received \$240,000 from the City, which includes \$89,000 in recurring funding and \$150,000 in ARPA funding. The Library requested \$25,000 for 2025 and the City has budgeted \$18,284. A new funding agreement between the City of Mequon, Village of Thiensville, and Weyenberg Library will be addressed in early 2025. For SOFD's budget, Mr. Jones highlighted the fact that a joint Fire & EMS Department may raise their tax levy by CPI by 2%. For 2025, that equates to 5.1%, which is equivalent to \$77,000 in new revenue. Notably, they have received \$625,000 over the past two years in Ozaukee County grants and those grants are ending in 2025. In the SOFD budget, wages and health benefits were included for 15 full-time employees, as well as a and a cost of living increase for paid-on-call employees.

8) Consideration of a Recommendation Concerning the Proposed FY2025 Budget

Administrator Jones then presented a summary of what funds had been allocated to ARPA projects, what had already been spent on each, and what remained. Then he showed the Committee the impact that the proposed budget would have on the taxpayer. The tax levy is increasing by nearly \$360,000 (2.9%). In comparison, the levy was reduced by \$23,358 last year. Staff is recommending an adjustment from \$3.13 to \$3.19/\$1,000 in the City's portion of

the tax rate, per \$1,000 of assessed value. With this increase, a \$450,000 home that paid \$1,409 in taxes in 2024, would pay \$1,435 in 2025. State manufacturing values are still pending, and the Sewer Levy is expected to remain flat. Mr. Jones provided a comparison of Mequon's Mill Rate to other comparable cities in the area, with only Pewaukee being lower.

Looking ahead to 2026, Mr. Jones suggested that the Common Council and Executive staff focus on development of a long-range (5-year) financial plan. Mr. Jones also mentioned working with legislators on the next state budget, examining other health insurance options, advancing residential development projects, considering alternative revenue sources, and looking into energy efficiency initiatives. A few questions were then asked by the Committee, including Alderman Bach asking about why only \$55,000 was budgeted for professional development and how overtime was managed. Mr. Jones stated that more resources would be allotted for professional development, if health insurance premiums hadn't risen so sharply over the last two years. Also, overtime is managed at the Department level and is mostly driven by weather, shift coverage for illnesses or an incident, and special events such as festivals. Alderman Parrish commented how \$225,000 for another revaluation was significant, questioned if fund balance should be used rather than increasing taxes, and brought up, for the third year, why Thiensville is charging the Library a fiscal fee? Mr. Jones explained that a new library agreement will be negotiated in 2025, and that a major emphasis will be to ensure long-term equity. Several other Committee members voiced the same concern about the Library. Alderman Bratt spoke about a possible wheel tax, forming partnerships on the State level, supporting parks, and rezoning opportunities. Alderman Strzelczyk questioned maintaining the City's facilities and possibly reducing the City's footprint so that there is less to maintain.

8) Ordinance Recommendation

Following discussion, Alderman Mayr made a motion to move the budget forward for approval and Alderman Hansher seconded. A roll call vote was taken and the motion passed 9-0.

9) Adjourn

Alderman Bach moved to adjourn at 7:18 P.M. and Alderman Strzelczyk seconded.

Respectfully Submitted,

Carrie Enea
Executive Assistant