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Office of the City Clerk
Taped & Televised

APPROPRIATIONS WORKSHOP
Wednesday, August 28, 2024
6:00 PM
Christine Nuernberg Hall

Minutes

1. Call to Order
2. Pledge of Allegiance
3. Roll Call

Present:

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

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

4. Overview of Fiscal Year 2025 Budget Development Process

City Administrator Jones provided the Committee with an overview of how the budget for 2025 was completed. He first explained how there are many projects underway including the Port Washington Road Streetscape, Sewer Utility Funding, Lemke Park Pavilion, Life Station E, Agenda Management System, the Community Pool, the East Side Fire Station, the Public Safety Building, the Port Road Market Study, the Community Survey, Brush Site Automation, and the Land Management System. Tonight's agenda will include an update on the status of the City's FY2024 budget, a look forward to FY2025 budget development with revenue and expenditure considerations, Capital Financing, Component Unit Funding for the Library & Southern Ozaukee

Fire & EMS Department, and an update on expenditures related to funds received from the American Recovery Plan Act (ARPA).

5. Revenue Outlook

City Administrator Jones displayed a slide showing 2024 revenues as of July 31. Several revenue sources are lagging, but many of these typically accrue in the third and fourth quarters. Inspection permits are behind budgeted amounts, but ahead of last year. Department of Public Works fees are also trending under budget, but there has also been a corresponding reduction in expenditures. Pool fees have done well this year, due in part to the pool staying open later than other area pools. Interest income continues to rise with the City's investments at Port Washington State Bank and Dana Investments.

6. Expenditure Considerations

City Administrator Jones stated how expenses are currently at 56.2% through July 31. Common Council expenses are at 70.8% because of festival expenses (Taste of Mequon) and payment of dues for the City's membership in the League of Wisconsin Municipalities (\$11,000). Alderman Strzelczyk inquired if Special Events could be a separate line item, rather than lumped with Common Council. Alderman Bach asked what the City uses for check & balances? Mr. Jones explained how the City takes an incremental approach to budgeting, utilizing the previous year's budget as a base to build the following year's budget. Also, the City is required to have an audit every year, which is then reviewed by the Finance & Personnel Committee. Additionally, the City relies on each Department to submit its own budgets. Lastly, the City's Budget Team meets with each Department to review proposed revenues and expenditures as a part of the annual budget development process.

7. Fund Balance Update

Forecasting ahead to December 31, 2024, the City is expecting a surplus in every fund. The City's current fund balance range is 10-12%. Industry practice recommends that fund balances be equal to two months of expenditures. As an example, the GFOA minimum for all governments is 16.67%. The City's current bond ratings are AA (S&P) and Aa2 (Moody's). To achieve a AAA rating, existing rating agency criteria necessitates a 35% fund balance, which could generate a total cost savings of \$200,000 for a \$10 million issue over 20 years. Comparable communities do have higher fund balances, a slide was then shown with rating factors for comparable communities. The Finance & Personnel Committee will revisit this with Ehlers this Fall, as planning commences on a planned 2025 debt issue

8. Revenue Considerations

The current City tax rate equals \$3.13 per \$1,000 of assessed value. Net new construction for next year equals 0.98%, which provides \$200,000 in new, available funding. Less ARPA funds were used in 2024 and \$0 is planned within the City's operating budget for 2025. The Joint Fire Department Levy Adjustment can be increased by CPI +2%. Notably, State levy limits may be exceeded by debt or referendum. City Administrator Jones pointed out that many neighboring communities have gone to referendum for Public Safety costs; Mequon has not needed to do that. In fact, the City has enacted several cost mitigation efforts dating back to 2017 with no City tax

rate increase for the new DPW building, securing funding for the School Resource Officer (SRO) program via a tri-party agreement with the Mequon-Thiensville School District and Village of Thiensville, completing the Dispatch consolidation with Ozaukee County and the Fire & EMS merger with Thiensville, and the cost savings found by switching to the League of Wisconsin Municipalities' Insurance.

9. Expense Considerations

City Administrator Jones then addressed some increases that will need to be taken into account when developing the 2025 budget, including 0.72% increase for General Employees and a 4.54% increase for Protective Service employees participating in the Wisconsin Retirement System. Health insurance will see around a 9% increase and liability/auto/property insurance will increase 2-4%. In addition, Police contract negotiations will be commencing in September and the last recommendation from a compensation analysis is anticipated for implementation in 2025. In addition, there are \$225,000 in compulsory increases that have been identified by staff, including: Road salt (\$52,000), Fuel (\$27,000), and Software Licenses (\$12,000). Some emergent costs to be aware of are \$30,000 for FEMA mapping, \$24,000 for the Community Survey, and \$101,000 for Taser/Squad/Body Cameras. Costs for Brush Site Improvements and Council Chamber HVAC repairs are still to be determined.

10. Revaluation

A market update evaluation was last completed in 2021. The cost was \$218,550 to complete the City-wide process. State law requires that the market/assessed value ratio needs to be between 90 -110%. Currently, the City ratio is 79% and there is a requirement to comply within four years. At the July Finance & Personnel Committee Meeting, the City Assessor recommended a market update evaluation at a cost of \$225,000. It is a periodic expense that could be paid with the interest that the City has accrued from the ARPA funds. Alderman Parrish thought this was a good value and Alderman Strzelczyk questioned how to best explain this to residents.

11. Capital/Debt Financing

Capital requests for 2024 are \$5.87 million, which is an increase of \$850,000 from 2023. 2024 is also the last year of borrowing money for the road program. Planned debt issue for 2025 could total \$10 million or more, based on projects discussed this evening. If the City keeps the debt issue under \$10 million, it will be eligible for the small issuer exemption, which results in a lower interest rate. City Administrator Jones then showed a chart of pay-as-you-go-funding for the past 10 years. In May, the Common Council reviewed alternative revenue sources such as vehicle registration fees and impact fees. Currently, the City only charges a parks impact fee. The City is only averaging 3 - 4 miles per year with the Road Program and Mequon has 210 miles to consider. A registration fee (wheel tax) is currently being charged by 40+ jurisdictions and ranges from \$10 - \$40 per vehicle. It would require an ordinance, as well as a DOT transaction fee of three cents per vehicle. If the City charged the median fee of \$20, multiplied by approximately 17,500 vehicles, it would equal \$350,000 in extra revenue. Alderman Parrish liked that the wheel tax could then be applied directly to roads. He suggested reducing the Parks Fee slightly and charging a fee for new development/high density buildings that could be applied to Public Safety.

12. Component Unit Funding

City Administrator Jones then spoke briefly about the Weyenberg Library and Southern Ozaukee Fire Department. The Library and City conducted a budget review from March to August 2023. \$81,000 remains for the library to use in ARPA funds, likely towards purchasing a new boiler. A new library funding agreement will be addressed in 2025, as efforts were postponed in 2024 due to staffing shortages in Thiensville. Alderman Bratt suggested a library impact fee.

The Southern Ozaukee Fire Department (SOFD) ended 2023 with a \$236,000 surplus and looks to end 2024 with another surplus. The \$300,000 in ARPA funding received from Ozaukee County will be expiring. The SOFD budget will be finalized this Friday, August 30 and approved at the SOFD Board Meeting on September 11. Alderman Parrish mentioned how the City does not charge a fiscal fee to SOFD, but Thiensville just increased their fiscal fee to the Library. He suggested that maybe Mequon should be the fiscal agent for both since we're trying to help our partner agencies and Thiensville is not.

13. 2025 Budget Schedule

Mr. Jones then reviewed the upcoming budget schedule with the Committee, which includes the following milestones:

September 30: Budget distribution

October 9: Appropriations Committee

October 16-21: Second Appropriations Committee, if needed

October 16-November 5: Sewer & Water Budget Meetings

November 12: Public Hearing & Budget Adoption

14. Adjourn

Alderman Bach moved to adjourn and Alderman Parrish seconded. All Committee members voted in favor, and the meeting was adjourned at 7:21 p.m.

Respectfully Submitted,

Carrie Enea
Executive Assistant