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www.cityofmequonwi.gov
Office of the City Clerk

**COMMITTEE OF THE WHOLE**
**Regular Meeting**
**Tuesday, July 14, 2026 - 5:45 P.M.**
**Christine Nuernberg Hall**

**Agenda**

1) **Call to Order and Roll Call**

2) **Approval of Meeting Minutes**
   a) June 4, 2026
   b) June 9, 2026

3) **Introduction**

4) **Water Utility Funding Discussion**

5) **Sewer Utility Funding Update**

6) **Review of Utility Financial Policies**
   a) Sewer Reserve Policy Amendment
   b) Water Reserve Policy Amendment
   c) New Water Funding Policy Draft

7) **Update on Fund Balance Discussion - June 4 Financial Planning Workshop**
   a) Interest Rate Impact - Enhanced Credit Rating
   b) Review of Policies - Other Comparable Communities

8) **Impact Fee Discussion**

9) **Other Matters**

10) **Informational Items**
   a) Committee of the Whole Planning Calendar

11) **Adjourn**

*Dated: July 9, 2026* */s/ Andrew Nerbun, Mayor*

Notice is hereby given that a quorum of other governmental bodies may be present at this meeting to present, discuss and/or gather information about a subject over which they have decision-making responsibility, although they will not take formal action thereto at this meeting. Persons with disabilities requiring accommodations for attendance at this meeting should contact the City Clerk's Office at 262-236-2914, twenty-four (24) hours in advance of the meeting.

Any questions regarding this agenda may be directed to the City Administrator's Office at 262-236-2941, Monday through Friday, 8:00 AM – 4:30 PM.

DRAFT

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Office of the City Clerk

**COMMITTEE OF THE WHOLE**

**Thursday, June 4, 2026 - 8:00 AM**
**River Club of Mequon**
**12400 N. Ville du Parc Drive**

**Minutes**

## 1) Call to Order; Roll Call

The meeting was called to order by Mayor Nerbun at 8:30 a.m.

**Present:** Mayor Nerbun, Alderman Strzelczyk, Alderman Tolocko, Alderman Mayr, Alderman Hansher, Alderman Bach, Alderman Parrish, Alderman Bratt (arrived at 8:58 a.m.), and Alderman Gebhardt

**Also present:** City Administrator Jones, Assistant City Administrator Wolff, Finance Director Arnett, Assistant Finance Director Keyser, City Clerk Fochs, Director of Community Development Tollefson, Director of Public Works Lundeen, Police Chief Riley, Fire Chief Bialk and Deputy Fire Chief Boehlke. Also in attendance were several consultants, including: Brian Roemer and Katelynn Harrigan from Ehlers & Associates, Andrew Mayo from FGM Architects, and Joe Kolavo of Kraus Anderson Construction.

## 2) Introduction; Workshop Overview

a) Long-Term Financial Planning Workshop #2 - June 4, 2026

City Administrator Jones welcomed attendees, provided introductions and gave a brief overview of the agenda. He summarized previous workshops held in May 2024 and July 2025, and highlighted several organizational accomplishments achieved since last summer. He further provided an overview of the key objectives for this meeting, including: financial policy amendments, public safety facility planning, 5-year financial planning, new pool fundraising, alternative revenues, and a determination of next steps.

Administrator Jones then provided the Committee with a summary overview of some of the City's key strengths, weaknesses, opportunities, and threats. Strengths include the City tax base and low tax rate, household income, available debt capacity, low crime rate, skilled staff, and open space. Weaknesses include a low fund balance, tax levy limits, aging facilities, and workforce challenges. Potential threats to City operations revolve around health insurance costs, the State's fiscal picture, Federal funding cuts, Act 10, and inflation. In terms of opportunities, Administrator Jones noted facility upgrades, capital fundraising, environmental sustainability, and artificial intelligence.

**3) Financial Policies**

a) Amendments to Financial Policies

Finance Director Arnett presented proposed updates to financial Policy 9 and the Appendix Section of the City's Financial Policies, as suggested by Ehlers & Associates and Baker Tilly. Additionally, Policy Statement 3, regarding City Reserves, was also shared with the Committee. Administrator Jones encouraged the Committee to think about expanding the City's current range for unassigned fund balance within the General Fund from beyond the current 10-12%. Increasing the fund balance range will support a more favorable credit rating and potentially lower interest rates. Following discussion, members of the Committee directed that the proposed amendments to the two policies be forwarded on to the Common Council for formal consideration and requested additional information on general fund balances/reserves for future discussion.

**4) Tax Increment District #3**

a) Public Improvements Update

Director Tollefson provided the Committee with a brief update on the public improvements that are being completed with Tax Increment District #3, as well as the financial success of the district. It was noted that the mandatory closure date for TID #3 is April 15, 2028, and that available increment should be available for use by the City beginning in Fiscal Year 2029, following the disbursement of any residual income to the City's other taxing bodies. Discussion also centered on any residual income that might be available to the City upon closure of the District, and how such proceeds might be used for one-time projects/needs.

b) TID #3 Audit/District Closure

Administrator Jones reminded the Committee that audits of Tax Increment Districts (TID) 3, 4, and 5 were completed by Baker Tilly earlier in the spring, per statutory requirements. He further reported that the Finance-Personnel Committee reviewed each of the audits and was satisfied with the results, and that an opportunity exists to recoup interest on three advances made to TID 3 between 2013-2016. Director Arnett provided a brief overview of local government investment pool averages and standard uses. Following a discussion, the Committee was amenable to recovering interest income from TID #3 as recommended by staff.

**5) City Facilities**

a) Public Safety Building Assessment

Administrator Jones introduced Andrew Mayo from FGM Architects and Joe Kalavo of Kraus Anderson Construction Company. Mr. Mayo revisited the 2024 space needs study which suggested a combined Police & Fire/EMS station being the most cost-effective solution. In 2025, a location and department needs analysis was completed and included in-depth input from both the Police and Fire Departments. Mr. Mayo and Mr. Kolavo then reviewed results from an updated assessment of the Public Safety Building, and its potential use as a standalone fire station headquarters facility for the new Southern Ozaukee Fire & EMS Department. Thereafter, they shared cost estimates for a range of future facility upgrades, including reconstruction of the East Side Fire Station, as well as separate and combined buildings for the Police & Fire Departments. Following discussion, the Committee directed staff to commence work on design of a new fire station on the City's east side, and to continue its review of available options related to the Public Safety Building.

b) Public Safety Impact Fees - Police & Fire

This topic was touched on briefly during the prior discussion on future planning for the Public Safety Buildings and will be explored further at the Committee's next workshop planning meeting in July.

c) Civic Campus - Phase One Design & Development

Director Lundeen provided a brief overview of the expected process and projected timeline for design and construction of a new community pool. She further shared that a recommended contract for architectural services would be on the Council's June 9 meeting agenda for award.

**6) Long-Term Financial Planning**

Mr. Roemer reviewed City reserves, the City's current bond rating, and briefly recapped information previously shared at the last financial planning workshop meeting in mid-2025. He further reviewed credit rating criteria amongst Mequon's peer communities and explained that a multitude of factors are taken into consideration when a municipality's debt is rated in advance of issuance.

From there, Mr. Roemer walked the Committee through a few available financing scenarios related to the City's longer-term capital needs, including annual road improvements, as well as construction of a new pool, a new East Side Fire Station, and a new Public Safety Building. The City's current debt position was also reviewed, and ample capacity exists to address all of the identified projects over the next 3-5 years.

Mr. Roemer also touched on the challenges Wisconsin levy limits create for the City, and shared updated projections for the City's operating budget (General Fund) through 2031.

**7) Potential Closed Session**

There was no Closed Session held by the Committee.

**8) Alternative Revenue Sources**

a) Lodging Tax

Director Tollefson provided an overview of the lodging tax analysis conducted by REVPAR Inc. If implemented, the Economic Development Board would need to create a subcommittee to act as the City's statutorily required Tourism Commission. Thereafter, the new Commission would determine the tax to be approved by Ordinance and establish a tourism budget. 70% of any tax proceeds would be directed into City tourism efforts, and 30% would be available for use within the City's General Fund. Following discussion, there was consensus amongst the Committee to move forward on implementing a 6% lodging tax as recommended, and staff was directed to prepare the necessary documents to support the formal consideration of such in connection with development of the City's 2027 budget.

b) Vehicle Registration Fee Information

Director Arnett provided an overview of the process for considering and/or implementing vehicle registration fees within Wisconsin, which can be established by a municipality and are collected by WisDOT. A $0.03 per vehicle administration fee is collected by WisDOT to cover program administration expenses. Any revenue collected can only be used for transportation purposes, and enactment of such would require formal adoption of an ordinance and a 90-day notice to WisDOT. Following discussion, which included concerns about public perceptions related to the potential implementation of a vehicle registration fee, it was agreed that staff would do some additional work to more clearly define how any such potential revenue derived from such a fee would be utilized from a budgeting and/or capital improvements standpoint.

**9) Other Matters**

a) 2027 Budget Development

Administrator Jones provided an overview of the upcoming budget development process for 2027, as well as a suggested timeline for completing development of the long-range financial plan by Fall 2026. Following discussion, it was determined that the Committee would forego a budget development workshop in August, and that staff would develop a draft budget for distribution by late September.

b) Upcoming Meetings: July - October (Sewer/Water Utility Funding, Right-of-Way Asset Funding & Prioritization, Fundraising, Annual Fee Schedule)

**10) Adjourn**

| | |
|---|---|
| **MOTION:** | Motion to Adjourn at 2:31 p.m. |
| **MOVER:** | Alderman Robert Strzelczyk |
| **SECONDER:** | Alderman Gregg Bach |
| **AYES:** | Mayor Andrew Nerbun, Alderman Robert Strzelczyk, Alderman Kelly Tolocko, Alderman Dale Mayr, Alderman Jeffrey Hansher, Alderman Gregg Bach, Alderman Brian Parrish, Alderman Peter Bratt, Alderman William Gebhardt |
| **RESULT:** | Approved by Voice Acclamation |

Respectfully Submitted,
Janet Meyer, Deputy Clerk

DRAFT

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Office of the City Clerk
Taped and Televised

# COMMITTEE OF THE WHOLE
**Regular Meeting**
**Tuesday, June 9, 2026 - 6:30 PM**
**Christine Nuernberg Hall**

## Minutes

### 1) Call to Order and Roll Call

The meeting was called to order by Mayor Nerbun at 6:38 p.m.

**Also present:** City Administrator William Jones, Assistant City Administrator Jessica Wolff, City Clerk Caroline Fochs, City Attorney Brian Sajdak, Director of Community Development Kim Tollefson, and City Engineer Kristen Lundeen.

### 2) Approval of Meeting Minutes

a) May 12th, 2026

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|---|---|
| **MOTION:** | Motion to approve the May 12, 2026, meeting minutes |
| **MOVER:** | Alderman Robert Strzelczyk |
| **SECONDER:** | Alderman Dale Mayr |
| **AYES:** | Mayor Andrew Nerbun, Alderman Robert Strzelczyk, Alderman Kelly Tolocko, Alderman Dale Mayr, Alderman Jeffrey Hansher, Alderman Gregg Bach, Alderman Brian Parrish, Alderman Peter Bratt, Alderman William Gebhardt |
| **RESULT:** | Approved by Voice Acclamation |

### 3) Resolutions

a) **RESOLUTION 4293** - A Resolution Approving the Following Items: A) A Land Lease for One Dollar Annually to the Thiensville-Mequon Rotary Foundation for the Construction of the Rotary Park Playground Until June 1, 2028; and B) A Development and Donation Agreement with the Thiensville-Mequon Rotary Foundation for an All-User Inclusive Playground at Rotary Park

Sandy Custer of the Rotary Park Foundation provided the background for this project which has taken over three years to get to this point. The Club established a $4.5 million goal and will begin community fundraising events in the next few months with the hopes of a ribbon cutting by the 3rd or 4th quarter of 2027.

Director Lundeen gave an overview of the land lease and donation and development agreement which will allow the Club more flexibility in their overall planning. The City Park and Open Space Board has already approved, so the final approval will go through the City Planning Commission.

The Committee thanked the Club for their enthusiasm and initiative on this eagerly anticipated community enhancement.

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| **MOTION:** | Motion to Approve Resolution 4293 |
| **MOVER:** | Alderman Robert Strzelczyk |
| **SECONDER:** | Alderman Gregg Bach |
| **AYES:** | Mayor Andrew Nerbun, Alderman Robert Strzelczyk, Alderman Kelly Tolocko, Alderman Dale Mayr, Alderman Jeffrey Hansher, Alderman Gregg Bach, Alderman Brian Parrish, Alderman Peter Bratt, Alderman William Gebhardt |
| **RESULT:** | Approved by Voice Acclamation |

b) **RESOLUTION 4294** - A Resolution Awarding the Contract for the Mequon Commons Phase One Design and Development Plan to Williams Architects of North Bay, Wisconsin in the Amount of $180,325

Director Lundeen explained that with this resolution, the Committee will be provided with three tiers of options to determine specific amenities desired for the Phase One design. She advised that each option would also include budgeting numbers with deficit expectations.

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| **MOTION:** | Motion to Amend Resolution 4294 from a 15% to 10% Contingency |
| **MOVER:** | Alderman Dale Mayr |
| **SECONDER:** | Alderman Brian Parrish |
| **AYES:** | Alderman Robert Strzelczyk, Alderman Kelly Tolocko, Alderman Dale Mayr, Alderman Gregg Bach, Alderman Brian Parrish, Alderman William Gebhardt |
| **NAYS:** | Mayor Andrew Nerbun, Alderman Jeffrey Hansher, Alderman Peter Bratt |
| **RESULT:** | Approved by Roll Call Vote |

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| **MOTION:** | Motion to Approve Resolution 4294 as Amended |
| **MOVER:** | Alderman Gregg Bach |
| **SECONDER:** | Alderman Peter Bratt |
| **AYES:** | Mayor Andrew Nerbun, Alderman Robert Strzelczyk, Alderman Kelly Tolocko, Alderman Dale Mayr, Alderman Jeffrey Hansher, Alderman Gregg Bach, Alderman Brian Parrish, Alderman Peter Bratt, Alderman William Gebhardt |
| **RESULT:** | Approved by Roll Call Vote |

**4) Informational Items**

a) Committee of the Whole Planning Calendar

Alderwoman Tolocko suggested a deeper discussion regarding naming rights at a future meeting. Administrator Jones reminded the Committee that with the recent Long-Range Financial Planning Workshop, there will be adjustments to future discussion items seen here and feedback and/or additions are encouraged.

**5) Adjourn**

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|---|---|
| **MOTION:** | Motion to Adjourn at 7:07 p.m. |
| **MOVER:** | Alderman Brian Parrish |
| **SECONDER:** | Alderman Kelly Tolocko |
| **AYES:** | Mayor Andrew Nerbun, Alderman Robert Strzelczyk, Alderman Kelly Tolocko, Alderman Dale Mayr, Alderman Jeffrey Hansher, Alderman Gregg Bach, Alderman Brian Parrish, Alderman Peter Bratt, Alderman William Gebhardt |
| **RESULT:** | Approved by Voice Acclamation |

Respectfully Submitted,
Janet Meyer, Deputy Clerk

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**www.cityofmequonwi.gov** **Administration**

| | |
|---|---|
| **TO:** | **Committee of the Whole** |
| **FROM:** | **William Jones, City Administrator** |
| **DATE:** | **July 14, 2026** |
| **SUBJECT:** | **Long-Term Financial Planning Workshop #3 - July 14, 2026** |

On Tuesday, July 14, the Common Council will convene an extended Committee of the Whole meeting to continue development of a long-term financial plan. This workshop-style meeting, which builds upon the Council's recent long-term financial planning workshop held on June 4, will involve a review and discussion of additional information compiled by staff and representatives from the City's financial advisory firm, Ehlers.

An overview of the meeting's agenda, along with some additional background information pertaining to the topics scheduled for discussion, continues below.

**1) CALL TO ORDER & ROLL CALL**

**2) APPROVAL OF MEETING MINUTES**
Enclosed for the Committee's review, consideration and approval are meeting minutes from the past two Committee of the Whole meetings held on June 4 and June 9, 2026.

**3) WATER UTILITY FUNDING DISCUSSION**
As indicated during each of the two previous Financial Planning Workshops held last July and this June, a necessary component of developing a Long-Range Financial Plan includes examination of the City's two utilities. Consequently, most of the July 14 workshop meeting will be devoted to reviewing the current financial condition of both the Sewer and Water Utilities, with an eye towards ensuring they are positioned to remain fiscally sound well into the future. This portion of the planning process will begin with an assessment of the Mequon Water Utility, which serves a portion of Mequon as well as parts of several other surrounding communities, and which is entirely funded by user rates. Brian Roemer, the City's Senior Municipal Advisor from Ehlers, will guide the Committee through this discussion, which will include a review of key financial indicators and the methodology by which water rates are set, as well as a review of the utility's capital plan and long-range financial projections. Mr. Roemer will also review how the Utility's finances are impacted by the Wisconsin Public Service Commission (PSC), and provide some general actions the City may wish to consider relative to ensuring the utility's continued financial health.

### 4) SEWER UTILITY FUNDING UPDATE

During a mid-Strategic Planning Workshop held in May 2024, representatives from Ehlers guided Council and staff through a similar long-range funding assessment of the City's Sewer Utility. This exercise resulted in establishment of a Sewer Utility Funding Policy, which now guides development of the annual budget. As part of this policy, the amount levied by the City to support sewer operations has been frozen, with most all new revenue required to support ongoing operations originating from annual user fee adjustments. Accordingly, Mr. Roemer will provide the Committee with an analysis of these steps taken nearly two years ago, and provide an update regarding the longer-term financial picture for the City's Sewer Utility.

### 5) REVIEW OF UTILITY FINANCIAL POLICIES

Following review and discussion of planned funding approaches for both utilities, staff is recommending consideration of several amendments to the financial policies which govern these two entities. Attached is a memorandum from Director of Public Works Kristen Lundeen that summarizes the proposed changes, which include amendments to the Reserve Policies for both Utilities. Additionally, and based on feedback and direction coming out of the workshop's prior discussion on Water Utility funding, enclosed is a draft policy that memorializes the approach being recommended by Ehlers and City staff. As indicated, this draft mirrors a similar policy adopted by the Common Council in 2024 relative to annually funding the City's Sewer Utility. Pending the Committee's concurrence with the policy as proposed, this document will serve as the basis for developing the proposed Water Utility Budget for Fiscal Year 2027.

### 6) UPDATE ON FUND BALANCE DISCUSSION - GENERAL FUND

During last month's Long-Range Financial Planning Workshop, there was significant discussion regarding the City's current Fund Balance Policy, which stipulates that unassigned reserves in the General Fund must remain between 10-12% of the current year's operating budget. As indicated in the enclosed minutes from this meeting, the Committee requested additional information, specifically in regard to: 1) the potential interest savings that could accrue from earning a higher debt rating than the City's current level of AA (Stable) from Standard & Poor's; and 2) comparative information on fund balance policies and/or levels from other area communities. Ehlers staff has since obtained the requested information, and a portion of Tuesday evening's meeting will be dedicated to reviewing and further discussing this data.

### 7) IMPACT FEE DISCUSSION

Based on preliminary cost estimates of the various options for reconstructing the City's public safety facilities as presented at the June 4 Financial Planning Workshop Meeting, Ehlers staff has calculated amounts for an initial impact fee that could be used to offset a portion of the construction costs for any new facility. Mr. Roemer will share his firm's early modeling projections related to such a cost off-set, and provide comparative data to similar fees currently being charged across other area communities.

### 8) OTHER MATTERS

Should additional time be needed to continue conversation on any of the topics discussed earlier in the meeting, time has been set aside near the end of the meeting to reconsider such. As previously indicated, Tuesday's workshop is likely the second of three meetings the Council will convene this year to complete development of the long-range financial plan, and it is anticipated that an additional follow-up meeting will be held in August or September, schedules permitting. Beyond restating any future action steps identified at Tuesday's meeting, staff will also provide an update on the process planned for finalizing development of the long-term financial plan.

**9) INFORMATION ITEMS**

Enclosed is an updated version of the Committee of the Whole Planning Calendar for 2026.

**10) ADJOURNMENT**

Attachments:
None

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**www.cityofmequonwi.gov** **Public Works**

| | |
|---|---|
| **TO:** | **Committee of the Whole** |
| **FROM:** | **Kristen Lundeen, Director Public Works/City Engineer** |
| **DATE:** | **July 14, 2026** |
| **SUBJECT:** | **Sewer and Water Utility Reserve Policy Amendments and Water Utility Funding Policy** |

## Background

Ehlers conducted a review of the financials for both the Sewer and Water Utilities. After concluding that both are in good fiscal health and meeting standards for industry financial practices, Ehlers made a recommendation to modify the utility undesignated cash reserves policies. The current utility undesignated cash reserve policies are based on the City's cash reserve policy and for utilities it was recommended for the reserves to be based on enterprise account standards.

In addition, after discussing with Utility staff, Ehlers indicated that it would be appropriate to memorialize the methodology for evaluating the adequacy of the Mequon Water Utility rates in a funding policy. This approach is consistent with the funding policy adopted for the Mequon Sewer Utility in 2023.

Included for discussion are two policy amendments and the introduction of a new policy. At the July meeting, the policies will be presented and discussed. Assuming general consensus, the final policies, including any recommended modifications, will be presented at the August meetings for consideration of adoption.

## Analysis

As noted in the Ehlers presentation, the recommended thresholds and industry standards for utility reserves are different than general reserves generated through the tax levy. Specifically, Ehlers recommends that the undesignated cash reserves for the utilities be based on six months of operating expenditures plus the next fiscal year's debt payment. Therefore, Utility staff is proposing modified policies that reflect those recommendations.

In 2023, the Mequon Sewer Utility adopted Policy Statement 18, which established the levy and user rate funding for the Sewer Utility budget. It is utilized annually in the budget process to report out on both the financial performance of the Sewer Utility and to establish the annual budget and user rates. Unlike the Sewer Utility, the Mequon Water Utility is regulated by the Public Service Commission (PSC) and therefore follows a different standard for rate setting, which Ehlers will review at the July meeting. For consistency, Water Utility staff drafted a policy memorializing the methodology for reviewing rate adequacy and financial performance to determine when a rate case should be initiated with the PSC. If adopted, the policy will be referenced in Mequon Water Utility budget documents.

**Fiscal Impact**

It is anticipated that the total funds required to meet the revised undesignated cash reserves policy will be less than currently held by either utility. That will allow more funding to be utilized for ongoing expenses. If adopted, any undesignated cash reserves available beyond the minimum limits will be evaluated for consideration of reallocation during the FY27 budget process.

The Water Utility Funding Policy will have no direct impact on the annual utility budget. Rather, the policy will be utilized for reporting budget methodology and predict timing for anticipated rate cases. As noted, water user rate changes require PSC approval.

**Recommendation**

Pending feedback at the July Committee of the Whole meeting, the final policy language will be proposed for adoption at the August meetings.

Attachments:
Policy Statement 3 Reserve Requirements Amendment

**POLICY STATEMENT 3**
**RESERVE REQUIREMENTS**

In order for the organization to be able to respond to unforeseen situations, as well as to positively impact the investment credit rating of the City, the City ~~and the Sewer Utility~~ will strive to maintain an undesignated General Fund Balance ~~or Undesignated Cash Reserve~~ of between ten (10) and twelve (12) percent of the current year's General Fund ~~or Sewer Utility~~ Operating Budget. The Sewer Utility will strive to maintain an Undesignated Cash Reserve balance equivalent to six (6) months' worth of operating expenditures (calculated as fifty percent (50%) of the total annual expenditures within the operating budget), plus the next fiscal year's debt payment.

Funds in excess of ten percent may, at the Common Council's discretion, be appropriated as follows:

- One-time capital improvements/projects;
- Debt abatement or defeasance;
- Other investments/programs that enhance efficiencies or reduce operating costs;
- Property tax reduction.

**Process Overview:**

Changes in fund balances occur primarily in one of two ways, either through net surpluses or deficits in the annual operating budgets, or through planned use of the fund balance as part of the annual budgeting process.

To provide the Common Council with the information necessary to be able to determine if the General Fund Balance or Undesignated Cash Reserve will be at the targeted level, the City Administrator will present information to the Common Council on current fund balances as a part of the annual budgeting process. Included in this presentation will also be staff's projections on any current year budget surpluses or deficits, and a five-year history of General Fund and other Undesignated Cash Reserve Balances.

# MEQUON MUNICIPAL WATER UTILTY

## FINANCIAL POLICY STATEMENT 1
## RESERVE REQUIREMENTS

To respond to unforeseen situations, the Mequon Municipal Water Utility will strive to maintain an undesignated cash reserve balance equivalent to ~~eighty (80) percent of the current operating expenditure budget (excluding capital), with a minimum required balance of $2,000,000~~ six (6) months' worth of operating expenditures (calculated as fifty percent (50%) of the total annual expenditures within the operating budget), plus the next fiscal year's debt payment. Funds in excess of these limits may, at the discretion of the Mequon Municipal Water Utility Commission, be appropriated as follows:

- One-time capital improvements/projects;
- Debt abatement;
- Other investments/programs that enhance efficiencies or reduce operating costs.

**Process overview:**

Changes in cash reserves occur primarily in one of two ways, either through net income or losses in the annual operating budgets, or through planned capital expenditure uses.

To provide the Mequon Municipal Water Utility Commission with the information necessary to determine if the cash reserve balance will be at the targeted level, City staff will present information to the Commission on the current cash reserve as a part of the annual budgeting process. Included in this informational material will also be staff's projections on any budget surpluses or deficits, including a multi-year cash reserve balance history.

## FINANCIAL POLICY STATEMENT 2
## WATER UTILITY FUNDING

The Water Utility funds capital, operation and maintenance expenses through user rates as an enterprise fund. No City property tax revenues shall be used to purchase, operate or improve the utility. User rates consist of:

- **Water Service Charge**: Fixed charge based on capacity of service and maintenance of the water system; determined by meter size.
- **Public Fire Protection Charge**: Fixed charge based on the additional costs and capacity that are needed to provide adequate capacity to fight a fire; determined by meter size.
- **Water Volume Charge**: Variable charge based on the number of gallons of water used during the quarterly billing period.

The intent of this policy is to validate the method by which the Mequon Water Utility evaluates financial performance and determines when to initiate a rate case with the Public Service Commission (PSC). The policy will be utilized for the development of the Mequon Water Utility's annual operating and capital budgets.

Annually, the Water Utility budget shall be generated with the following goals:

- No rate adjustments without a PSC approved rate case.
- Self-funded capital accounts to meet projected capital needs.
- Maintaining a recommended debt service coverage ratio of 1.6 or less.
- Utilizing a Simplified Rate Case when available and a Conventional Rate Case when required.
- Utilizing a Purchased Water Adjustment when available.

Staff is required to report whether this policy framework is being achieved with each budget cycle.

**Rate Case**
The Mequon Water Utility may consider a simplified or conventional rate case if the PSC report indicates that year's simplified rate case (SRC) rate will not result in the Utility exceeding the PSC's benchmark rate of return (ROR).

**Capital Funding**
The Mequon Water Utility will endeavor to be self-funding for capital projects when practical and when user rates will not vary significantly as a result. Terms for borrowing shall consider whether:

- The Utility's Undesignated Cash Reserves Policy can be met as a result of capital expenditures.
- Appropriate cash balances remain at the end of the planning period.
- Future debt is structured around existing debt until additional debt capacity is available.

**Payment in Lieu of Taxes (PILOT)**
At the request of the City of Mequon via resolution, the Mequon Water Utility may be subject to a PILOT payment after PSC authorization of a rate case, where the resulting PILOT payment will not trigger an additional rate case.

**Process Overview:**

Annually, the Mequon Water Utility Budget shall be generated as follows:

1. Identify the anticipated expenses for the fiscal year by populating the anticipated fiscal year expenditures for operation and maintenance, for both the Mequon Water Utility and purchased water contracts.
2. Calculate the revenue generated by the user rates. From that, subtract the operating costs to identify the remaining revenue available and allocate such as self-funding capital.
3. Validate and report to the Mequon Municipal Water Utility Commission whether the budget meets this policy's goals, including the amount allocated for undesignated cash reserves.
4. Allocate the capital funding and excess undesignated cash reserves to the appropriate capital accounts.

# COMMITTEE OF THE WHOLE PLANNING CALENDAR - 2026

| ITEM | PRINCIPAL | TIME |
|---|---|---|
| **January 13** | | |
| Civic Campus Master Plan | Tollefson | 60 |
| Hotel/Motel Tax Proposal | Tollefson | 15 |
| | | |
| **February 10** | | |
| Traffic Calming/Speed Deterrence | Lundeen/Riley | 60 |
| Brush Site Improvements | Lundeen | 15 |
| | | |
| **March 10** | | |
| Joint Extraterritorial Zoning Commission Determination | Tollefson | 30 |
| Miller Marriot Development Consultation | Tollefson | 30 |
| | | |
| **April 14** | | |
| Civic Campus Master Plan | Tollefson | 45 |
| FEMA Floodplain Map Amendment | Zader | 30 |
| | | |
| **May 12** | | |
| ARPA Expense Reallocation(s) | Jones | 30 |
| SOFD Annual Update | Bialk | 15 |
| | | |
| **June 9** | | |
| Rotary Park Playground | Lundeen | 30 |
| Mequon Commons - Phase One Design | Lundeen/Tollefson | 30 |
| | | |
| **ITEM** | **PRINCIPAL** | **TIME** |

# COMMITTEE OF THE WHOLE PLANNING CALENDAR - 2026

| | | |
|---|---|---|
| **July 14** | | |
| Long-Range Financial Planning - Sewer, Water, Impact Fees, Etc. | ALL | 90 |
| | | |
| **August 12** | | |
| New Community Pool - Preliminary Design | Lundeen | 60 |
| Speed Deterrence | Riley/Lundeen | 15 |
| | | |
| **September 8** | | |
| Road Program/ROW Asset Prioritization | Lundeen | 60 |
| New Community Pool - Final Design | Lundeen | 30 |
| | | |
| **October 13** | | |
| Port Washington Road Rezoning | Zader | 45 |
| Fundraising | Jones | 45 |
| | | |
| **November 10** | | |
| Permitting System Demonstration | Wolff | 45 |
| | | |
| **December 8** | | |
| Personnel Handbook Update | Wolff | 60 |
| | | |
| **Future/Other Policy Items for Discussion/Consideration/Analysis** | | |
| JCC Redevelopment; SW Industrial Re-Zoning; Mequon Nature Preserve Project; Deer Management; Opitz Cemetery; Emerald Ash Borer; Specimen Tree Policy; Legal Compliance/New Legislation Update | | |