

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

Finance Committee Meeting Minutes of January 31, 2023

Video of this meeting can be found online at <https://www.whitewater-wi.gov/AgendaCenter>

1. Call to Order and Roll Call

Committee Chair Greg Majkrzak called the meeting to order at 4:30 pm.

Present at the meeting were committee members Greg Majkrzak and Lisa Dawsey Smith.

Absent: Lukas Schreiber (resigned from Committee in January). Staff and guests present: City Manager John Weidl; DPW Director Brad Marquardt, and Finance Director Steve Hatton.

2. Approval of Minutes from October 11, 2022, October 13, 2022 and November 22, 2022

Smith moved, Majkrzak seconded approval of minutes. Motion carried by unanimous voice vote.

3. Hearing of Citizen Comments

None

4. Staff Updates

- a. **Financial Update – YTD through December 2022** – Hatton gave a brief overview of the financial statements. Hatton noted the General Fund currently shows a surplus of approximately \$650,000. He further noted some not all of the year-end entries are made as progress continues towards closing the 2022 fiscal year. Hatton noted some impacts of year-end entries within the utility enterprise funds. Majkrzak asked about the \$82,000 deficit shown for Fund 220 (Library). Hatton noted that the Library budget provisioned for normal operations, but not the Library expansion project. The Library Board approved specific spending requests for design and fundraising outside of the budget. These expenses are being paid from Library Board accounts that the City does not hold custody. Majkrzak requested more information on how the Library's 2022 deficit is being funded in a future meeting. Majkrzak also asked for more information on the additional use of fund balance in Fund 280.

In an overview of the General Fund, Hatton mentioned that the revenues are about \$23,000 better this year as compared to this time last year. The expenses are about \$425,000 more this year as compared to this time last year. Majkrzak asked what was driving these changes. Hatton described a consistent practice to budget for full staffing. To the extent that the city has vacancies over the course of the year, spending will be below the budgeted amount. These vacancies have been one of the significant drivers to each year's surplus and helps to offset any negative surprises (shortfall in revenues or unanticipated costs). A second is the rapid rise of interest rates in 2022 that was above what was in place or expected at the time the budget was created in the fall of 2021. Interest income was \$172,000 higher than budget. A third driver is the perennial impact of the city's change to a high deductible health plan in 2019. The City was able to provide employees with the same protection as the previous traditional plan (1,000 family deductible) by bridging the increase to a \$3,500 family deductible with a \$2,500 HRA provision. This change provided a savings in premium that more than offset the cost of the HRA provision (if fully utilized). To the extent that the

HRA is not fully utilized, the city realizes additional savings. In the last several years, HRA utilization has been in the 60%-70% range.

Hatton continued to review the packet material highlighting the changes in inflation and interest rates in recent years. Dawsey Smith asked for future reporting updates to help inform the public on the impact of the changes to public safety spending given the creation of a municipal Fire/EMS department following the November 2022 referendum.

- b. Conventional Water Rate Case Update** – Hatton provided an update on the water utility’s request for the Public Service Commission (PSC) to review water rates. As the PSC regulates water utilities in Wisconsin, any changes to rates or operating rules must be reviewed and approved by the PSC. Hatton summarized milestones since beginning the process in May 2022. The most recent was a public hearing held by the PSC on January 26th that was advertised on utility bills, the local paper, city website, press release and social media. Hatton noted three members of the public attended while only one spoke. The speaker questioned whether the anticipated need for a rate increase is a result of poor planning on behalf of the water utility. Hatton noted the agenda memo was created with this perception in mind to help provide the public with a concise summary of the timeline of the water tower replacement dating back to 2017. Hatton acknowledged that the evolution of issues over time may be difficult for the public to follow across committee and council meetings. The agenda memo is intended to help summarize and document the background for the discussion. Majkrzak asked whether topics are searchable in the agenda center on the city’s website. Hatton committed to look into and report back.
- Hatton highlighted a schedule in the packet from the PSC’s proposed rate design that illustrated the impact of the proposed rate change on various types of customers and volumes of use. For the average residential customer who uses 3000 gallons per month, the new rates translate into an additional \$7.27 per month. Hatton noted that the PSC is expected to issue a ruling by the middle of February. He believes the utility will then have up to 90 days to implement the new rates. The latest billing interval that falls within this window is the end of April.

5. Discussion/Direction on the Following:

- a. 2022 Budget Amendment #2** Hatton reviewed the memo in the packet highlighting an anticipated surplus in the General Fund. Hatton reviewed several recommended transfers to use a portion of the surplus to provision for needs that could not be accommodated in the revised budget adopted for 2023 last November. The recommended transfers also address needs that would otherwise need to be provisioned within a future budget. Hatton recommended this to Council for approval of the submission. Majkrzak seconded the motion. Motion carried on a unanimous voice vote. \$300,000 of the anticipated surplus was recommended for transfer to eight separate funds. After the transfer, the surplus is estimated to remain at \$200,000 that will fall to the General Fund unassigned fund balance that can be used to buffer future needs. Dawsey Smith moved to recommend the budget amendment to Council. Seconded by Majkrzak. Motion passed unanimously.

6. Future Agenda Items

- Update on Library deficit funding

- Update on 2022 deficit in Fund 280 (Street Repair Fund)
- Public Safety Reporting update
- Agenda Center Search function
- HR reporting and tracking of vacancies

7. Discussion of Next Meeting Date

Next meeting date was set for March 2, 2023 at 4:30pm.

8. Adjournment

Smith moved, Majkrzak seconded adjournment. Motion carried on unanimous voice vote.
Meeting adjourned at 5:20 pm.

Respectfully submitted,

Steve Hatton
Director of Finance and Administrative Services.

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