



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 May 25, 2021

1. Call to Order and Roll Call.

Committee Chair pro tem Lynn Binnie called the virtual meeting to order at 4:30 pm.

Present at the meeting were Committee Members Lynn Binnie and Lisa Dawsey Smith.

Staff members and guests also present: City Manager Cameron Clapper, Finance Director Steve Hatton , Kevin Krysinski of audit firm, Johnson Block

2. Review and Approval of Minutes from April 27, 2021.

Binnie mentioned a minor typo on the last page, future agenda items Utility Rate and American Rescue Plan Act the word act had a U instead of a C. Hatton committed to correct the typo before publishing and Binnie said that otherwise he would move approval of the minutes. Dawsey Smith seconded the motion.

Ayes: Binnie and Dawsey Smith

Noes: None

Abstained: None

3. Hearing of Citizen Comments – There were no members of the public in attendance.

Binnie asked if they should move to Krysinski's report first or if the staff update would be brief. Hatton agreed that Krysinski should present first and the committee moved onto 5. a., 2020 Draft Financial Audit Presentation.

5. Discussion/Direction on the following:

- a. 2020 Draft Financial Audit Presentation - Kevin Krysinski of our audit firm, Johnson Block was in attendance to present draft Audit Report and address any questions/concerns.

Hatton introduced Krysinski and mentioned that the draft audit and communication letters were part of the meeting packet. Due to the size of the document (over 100 pages) Krysinski gave an overview of the report. The Audit received an unmodified opinion (desirable) based on best accounting practices (GAAP).

- Management discussion and analysis – 10 pages of summary financial data
- Financial Statements – Kevin described the financials included in the Audit report and how they're broken out into several groups, Governmental Funds, Business-Type Funds (Utilities), and Fiduciary Funds (such as tax collection).

- Notes to the Financial Statements – Largest portion of the report that provides much of the details related to each major transaction area; cash, receivables, inter-funds, capital assets, long-term debt, fund equity, and WRS pension assets and liabilities.
- Required Audit Communication to Common Council. Two comments were noted:
 - Material Weakness notation has been removed from previous year due to improvements made by city staff in completing year-end adjustments. The audit did not identify any additional adjustments necessary during the Audit.
 - Whitewater Aquatic & Fitness Center (WAFC) – The revenue loss was getting better prior to COVID-19, but deteriorated significantly during the pandemic due to lost membership dues. There may be an opportunity to recover some of the lost revenue under the America Rescue Plan Act (ARPA).
 - A new lease standard was noted as a new accounting requirement that will require different accounting treatment than in the past.
- The fund balance increased by \$379,000 and the unassigned fund balance is 24% of expenditures and transfers for the year.
- TIF districts are closing and will require audits for TIF districts 5 through 9 and 4 will need an audit, but it is being extended for another year to collect increment to benefit Affordable Housing in 2022.
- The Water Utility earned a rate of return of 2.69% in 2020. This is the primary measure the PSC (Public Service Commission) uses to determine whether rates are adequate to maintain a financially sound utility. The authorized rate of return (benchmark target) is 4.9% - indicating the Water Utility was not achieving an adequate return and should consider increasing rates. Kevin noted that the current rates were put into effect in August of 2020 after completion of a Full Rate Case review with the PSC. If the new rates were in place sooner, the rate of return would have been higher. Following the Full Rate Case, the Water Utility is not eligible for a Simplified Rate Case (3% increase) until early 2022. Sewer cashflow increased due to the wastewater upgrades.
- Kevin noted that city staff have shared draft calculations for lost revenue as defined by the American Rescue Plan act. Kevin will be reviewing and providing feedback in the next few weeks.
- Federal grants coming in will require a federal single audit in 2021.

Dawsey Smith mentioned that because it is a draft, there are a few number formatting issues in various sections. Krysinski asked that the issues be sent to Hatton. Hatton mentioned some of the schedules are in portrait view and hard to view. Binnie found a typo on page 28 referencing the year incorrectly and on page 41 noting the interest rate on some bonds and asked if it was up for refunding yet. Krysinski said he would look into it. Binnie asked about the aquatic center lease expiring and if there are discussions going on. Hatton said yes. Krysinski said he found the information about the bond interest rates and they ladder up. Hatton explained how the bonds are issued with different

rates effective for each coupon payment, typically higher for coupon payments that occur later during the bond's life. (after the meeting it was confirmed that the bond in question was the 2010 issue that was retired in February).

4. Staff Updates

a. 2021 Year to Date Financial Update

The Finance Committee returned to the discussion concerning the 2021 Year to Date Financial Update. Hatton reviewed the year to date financials, highlighted the surplus and deficit column and reminded that revenues and expenditures are not uniform over the year. Due to the bond call there is a negative cash flow for TID 4 until the city receives the second half of the property taxes in August. On the second page of financials, Hatton pointed out the year-to-date vs. prior year, indicating that the negative variance for the General Fund being driven by two factors: 1. The Contingencies account reflects the house purchased by the City on Fremont St. and 2. Wages were higher over last year as there was an extra payroll (9 in 2021 vs. 8 in 2020).

5. Discussion/Direction on the following:

- b. American Rescue Plan Act (ARPA) Update – Hatton explained that the agenda packet contains a PowerPoint presentation. \$19.5 Billion of the \$1.9 Trillion Act is allocated to the State and Local Coronavirus Fiscal Recovery Fund (SLFRF). \$1.5 million of this is allocated to Whitewater and will be distributed by the state. Hatton shared the link to the U.S. Treasury website: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/non-entitlement-units>. Hatton said the city will receive 50% the funding from the state in June 2021 and 50% in June of 2022. Hatton reviewed eligible uses for the funds. Hatton said that the information was sourced from the League of Wisconsin Municipalities and U.S. Treasury publications. Hatton said that for Whitewater, replacing lost public sector revenue would address areas that lost revenue in 2020. Examples include room taxes, Parks & Rec programming and Aquatic Center memberships. The Treasury Dept. just released details as to how this lost revenue is to be calculated. Staff is working on estimates based on the required methodology. Another eligible use beneficial for Whitewater is investing in water and sewer infrastructure, which would include some planned capital projects. Investing in broadband infrastructure is also permitted. Hatton reviewed the ineligible uses. The estimated allocation for Whitewater is \$1.47 million and the recommended concepts in deciding on uses should focus on one-time projects (avoid recurring costs), stay within scope of existing services and expertise, remain accountable for use of funds, and don't rush – there is time. Clapper stated that some in the community want the city to hurry and share the funds in the community, but the city needs to wait to see if other entities will provide services so there are no duplications and overlap. Intention is to ensure the funds are used as effectively as possible. Dawsey Smith said that WEDC (Wisconsin Economic Development Corporation) and the Department of Revenue opened up a \$5,000 grant application for small businesses. Hatton said that if funds are given to other entities then the city continues to be responsible for compliance and reporting. Hatton said that the amount determined as Lost Revenue can be utilized for provision of any government service. Hatton said that there is multi-level government coordination

meeting on June 23rd for Wisconsin state, county, and local officials believed to target areas that require coordination across levels of government to realize and to prevent overlap and duplication. Clapper said that the information will be shared with the common council. Binnie asked about state's allotment of funds being in question. Hatton said that the city's share should be secure as the ARPA legislation does not enable the states to change or redirect the funds allocated to local communities.

- a. Combined Water and Sewer Utility Rate Benchmarking – Hatton said he started this in November of last year and it was set aside until recently. Each year Hatton presents benchmarking on our water utility vs. like-sized water utilities. Water rate information can be readily obtained from the Public Service Commission, but sewer rate information is not centrally available. To compile this information for Sewer Utilities, Hatton used similar Class C water utilities in the four surrounding counties and contacted each community separately for their rates. Hatton calculated comparable combined water/sewer bills under each community based on these rates and a common volume/usage assumption. Hatton reviewed the data and stated the city is on the lower end on the water, but in the upper end of sewer, which was known previously. On a combined basis, we fall in the 73rd percentile or at the middle of the more expensive half of the peer group. Clapper stated that the main factors influencing rates are operations, capital projects, and the number of customers. There is a significant investment in water and sewer utility infrastructure. Most of the upgrades and replacements to these systems are financed with debt where grant and cash funding is not available. It is important that we grow the user base (economic development) to help spread these capital costs among a larger group of users.
6. Future Agenda Items – Hatton promised another update on ARPA as further details are released. No other items were raised.
7. Discussion of Next Meeting Date – After some discussion regarding planned vacations and availability, it was determined that the next Finance Committee meeting would be held on June 29, 2021 at 4:30 pm.
8. Adjournment – Binnie moved to adjourn with a second from Dawsey Smith. The motion passed by unanimous voice vote.

Ayes: Binnie and Dawsey Smith

Noes: None

Abstained: None

The Finance Committee adjourned at 5:43 pm.

Respectfully submitted,

Kathy Boyd

Executive Assistant