

City of Evansville Common Council
Special Workshop Meeting
City Hall, 31 S Madison St, Evansville WI 53536
Thursday, May 4, 2023, 2:00 p.m.

MINUTES

Members	Present/Absent	Others Present
Alderson, Abbey Barnes	A	
Alderson, Jim Brooks	P	Jason Sergeant, City Administrator
Alderson, Ben Corridon	P	Lisa, Ehlers (Stormwater/Utility)
Mayor, Dianne Duggan	P	Greg, Ehlers (City Aspects)
Alderson, Ben Ladick	A	
Alderson, Gene Lewis	P	
Alderson, Joy Morrison	P	
Alderson, Corey Neeley	P	
Alderson, Erika Stuart	A	

1. **Evansville Financial Management Plan Workshop** Sergeant explained that Ehlers has been given the information and have built a model that gives an outlook for the next 5 years. Overall, looking to see if eliminating a position or service has a bigger impact 5 years out, we would like to know now.

A. Plan Background

The plan is to look at overall financial conditions over a multi-year timeframe. Certain trends that have been identified, may offer a better position to look at strategies and gives more time to address potential issues.

B. Ehler’s Public Finance Advisors Presentation

S & P G.O. has given Evansville a rating of AA- due to the several financial policies that are currently in place. The City has adhered to a reserve policy, had good financial practices with formal policies, and debt burden that has increased but paid down quickly. The Unassigned General Fund that is for unexpected expenditures has fallen in the 35-40% range, which has been the main area that creditors look at. Strong equity and financial flexibility with the General Fund, has given the City a good standing that hasn’t deviated in the last few years. Growth forecast TID IN represents all of the property within the community, and sets borrowing limits. Healthy growth has been the trend in the last number of years. TID OUT sets the tax rate projection to help set a budget. Healthy growth has also occurred with the TID OUT in the last couple years. Overall, Ehlers has looked at growth due to economic change, new construction, and adjustments from prior year’s corrections and personal property.

To look at TID OUT value projections, Ehlers looked at a 5 year trend and reduced it 50% and added in projected TIF district closures. Evansville will see all of the return back to the tax role as the TIF districts close in the next 5 years. Evansville will continue to see the benefit of TIF closures as they help with value projection and impact levy limits.

General Fund Revenues are consistent with other WI communities. State Legislature has had some discussion about the Share Revenue formula. The current model has not had any additions from

the legislature discussions, as nothing has been confirmed. Overall, the concern has been that revenue has remained flat, and expenses have gone up in the General Fund. Some of the other Levied Funds, such as EMS, Cemetery, and Library funds have been given the same expense forecast as the General Fund.

In regards to debt, Ehlers looked at items in Capital Improvement plan that are not funded by cash or reserves. The largest item on the current debt projects has been the interim financing for the Westside Park, as we wait for donations and other financing to become available to help fund the project. Projected levy for debt service has come to about \$300,000 per year, largely due to the Park project being absorbed into the debt service. Levy further increases \$230,000-280,000 thru 2029 to include all projects that have been listed. There has been a policy that has been set to not exceed 75% of debt capacity, while Evansville has reached 72% of its debt limit.

When setting a multi-year budget forecast, Ehlers has incorporated all aspects of the Levy as well as the Capital Improvement Plan. This has become a balance of service levels, trying to maintain that service level, and maintaining service expectations with the tax burden. Any additional aid that we receive from the State will improve the numbers in the model, but they are not factored in at this time as they are not a guarantee. The only item that is exempt from levy limits is debt. The prior year's actual levy may be increased equal to new construction in the preceding year. Ehlers set an average of new construction at 2%, and starting in 2024 there will be a levy gap. Our actual levy will be more than the allowable levy.

One strategy would occur prior to adopting a new budget. As debt is exempt from levy limits, there would be an opportunity to make a large purchase with a long term loan for items that are needed. The levy for principle and interest on the loan as it is, would be exempt from levy limits. At a later date, there would be an opportunity to pay off the long term loan when the tax collection process starts. Overall, it would make the equipment that was needed, to be able to be exempt from levy limits. This wouldn't affect our rating, and it would be recommended to do the loan at a local bank.

Another strategy, would be to move Public Fire Protection from the Tax Roll to the Water Bill. Evansville has been a combination municipality, with some of the fire protection on the tax role and some on the water bills. This has been a revenue to the water utility but it is a General Fund expense to levy to pay the water utility. This would separate the General Fund from the water utility, leaving their respective revenues paying the expenses. This would free up \$175,000 of levy capacity.

A referendum can give flexibility with how often, but must cover the reason for the levy increase. A referendum could be a one-time occurrence or ongoing. Also, it could be for one service or many services.

Water and Electric have been combined on the General Ledger so will be looked at combined and then separately. The last water utility conventional rate case was a two phase increase with a total of 17.92%. The electric rate case has been in process, and is expected to come with a 6.78% rate adjustment. Utilities are viewed as a business that is capital intensive. It involves setting up the infrastructure, replacing, and maintaining it. Water rates, historically have not been adequate on a cash or a utility basis. The rates on the electric side have not been adequate on a cash or utility basis either. Cash basis for 2023 electrical has projected to be 5% inadequate, but is also going through a rate case. The goal for each utility, would be to meet the revenue bond coverage on their own. Water and electric are at a 125% of annual debt payment.

Sewer historically has meet its "all-in" debt coverage and has had healthy cash reserves. Some funds have been applied towards 2024, 2025, and 2027 bonds. Sewer is not regulated, so no rate case would be needed if Evansville needed to upgrade anything. Sewer is at 110% of annual debt payment.

Storm Water has had many years where it was not meeting “all-in” debt coverage, but has had cash on hand. Currently, there is a large capital improvement plan for the storm water, so Evansville will be adding a number of assets. Overall, Evansville will be adding over \$4.5 million in assets. Storm water is also at a 110% of annual debt payment.

C. Questions and Discussion None

D. Next Steps

Sergeant stated that while the news is alarming, it’s not anyone’s fault, and there are solutions. Taxpayers and rate payers are going to feel it, no matter which direction that is chosen.

Discussions have been occurring with Department Heads, but as things have been cut-the cost of items continues to increase. There continues to be hope in what the State decides to do. Corridon mentioned that Council will need to look at some smaller items and turn them into short term debts. Brooks mentioned that he doesn’t feel that Evansville is paying for anyone that isn’t needed. There are positions that are still needed to fill, such as Municipal Services Director, which hasn’t been talked about yet. Neeley mentioned that maybe we need to look to see if we are as efficient as we could be. Cutting things could cost more money than adding services. There is a need to look at the services that are offered, and make sure that they are priced accordingly. Evansville can’t continue to give away things to private organizations and not be able to recoup our costs. There are private clubs that are using public goods to turn a profit.

2. Upcoming Meeting Reminder

A. Regular Common Council Meeting, Tuesday May 9, 2023, at 6:00 p.m.

Elle Natrop, Customer Service