

# Finance Informational Microsoft Team Meeting

## Meeting Minutes

**May 28, 2026, 10:00 AM - 11:08 AM**

**1. Call to Order** - The Finance Informational Microsoft Teams Meeting of the Village of Webster was called to order on Thursday, May 28, 2026, at 10:00 a.m. The meeting was held via Microsoft Teams. The session was recorded, with a link to be distributed to participants following the meeting.

**2. Roll Call** - Present (remote): Ed, Tim, Sue, Tom, Deb (Clerk-Treasurer) and Ehlers representative Peter and Sean. Absent: Jeff, Kelsey, Bill

**3. Public Notice of Agenda – Deletions/Corrections** - No deletions or corrections to the agenda were noted.

### **4. Review TID and Debt Projections with Ehler's**

Representatives from Ehlers — Peter and Sean — presented a comprehensive financial overview covering a preliminary debt structure for Tax Increment District (TID) 3, the Village's general obligation debt capacity, a TID 3 cash flow forecast, a TID 2 review, and the current financial condition of the water and sewer utilities.

#### **Preliminary Debt Schedule – TID 3**

Peter presented a preliminary general obligation (G.O.) promissory note of \$800,000 proposed to finance TID 3 public improvements. Key assumptions included an interest rate of approximately 5%, amortized over 20 years, with a balloon payment at year 10 (2036) requiring refinancing, as is typical given that banks generally do not purchase debt with terms longer than 10 years. Annual principal and interest payments were projected at approximately \$69,000.

Peter explained that interest for 2027 would be capitalized into the total debt amount, as TID revenues are not expected to be available until 2028—the year following the valuation of homes constructed in 2026. Sean noted an alternative approach used by some communities: advancing funds from the general fund to the TID to cover early-year payments, with the TID repaying the general fund once sufficient revenues are generated. Sean emphasized that a final decision on which approach to use had not been made, and both options would be discussed further before proceeding.

#### **General Obligation Debt Capacity**

Peter reviewed the Village's overall G.O. debt capacity, noting that Wisconsin municipalities may not exceed 5% of equalized value in outstanding G.O. principal. Based on current outstanding debt—primarily several State Trust Fund loans—and the projected \$800,000 note, the Village would retain approximately 50% of its remaining G.O. capacity, or roughly \$1,500,000 in additional borrowing room.

Tim raised the question of upcoming capital projects, specifically a water main replacement tied to a planned highway reconstruction and a future sewer project. Sean clarified that

those types of utility projects are typically financed through revenue bonds rather than G.O. debt, and as such would not count against the G.O. capacity shown on the chart. It was noted that the water main project is anticipated for next year, while the sewer project is estimated to begin preliminary engineering in approximately one year, with construction potentially wrapping up around 2029. Sean also confirmed that State Revolving Fund loans—such as the Safe Drinking Water Loan and Clean Water Fund—are structured as revenue bonds and would not impact G.O. capacity.

### **Debt Service and Levy Projections**

Peter walked through the projected debt service schedule, incorporating existing State Trust Fund loans alongside the proposed TID 3 note. Sewer utility revenues are currently being applied to offset a portion of the debt levy, reducing the net amount levied to taxpayers. The projection assumes that TID 3 revenues will be sufficient to cover the annual debt service on the new note once the district begins generating increment, preventing the need to place that obligation on the tax levy.

Sean confirmed that the current net debt levy of approximately \$52,000 reflects payments on existing debt, after applying approximately \$43,000 in sewer utility revenues. He asked the Village to verify whether the figures aligned with what was levied for 2026. Deb indicated she had spoken with the Village's auditor, Jonathan, that morning, and confirmed that the State Trust Fund loan attributed to sewer is indeed being levied. A question was raised regarding a \$10,000 State Trust Fund loan that appeared to be misclassified. Deb clarified that the \$10,000 item relates to the water tower painting project and should be attributed to the water utility, not sewer. It was agreed that a copy of the financial worksheets would be forwarded to Jonathan for review and feedback prior to finalization.

### **TID 3 Cash Flow Forecast**

Peter presented a preliminary 20-year cash flow forecast for TID 3. The construction timeline assumed was aggressive: 3 twin homes built in 2026, 5 units in 2027, and 2 units in 2028, for a total of 10 twin homes at 20 units (each twin home constituting 2 units) valued at \$275,000 per unit, generating approximately \$5,500,000 in new assessed value. The 2025 equalized tax rate of \$13.66 per \$1,000 was applied conservatively throughout the life of the district with no assumed increases, yielding a projected annual tax increment of approximately \$75,000 at full build-out.

Lot sale revenues of \$25,000 per lot—totaling approximately \$250,000 over three years—were included on the revenue side. On the expense side, the model included annual debt service on the G.O. note and general TID administrative expenses. The cumulative projected balance over the life of the district was estimated at approximately \$288,000.

Sean noted that if the \$250,000 in lot sale revenue were excluded, the TID would still remain in positive territory, though very narrowly. He and Peter emphasized that even at flat tax rates and without lot sales, the TID appears capable of cash flowing, and any modest growth in valuation would improve the picture further.

The board discussed the construction timeline at length, acknowledging that the aggressive schedule may not be realistic given ongoing negotiations with the current developer. The developer had expressed a desire to build a model home before committing to the full project, which would push active construction into next year at the earliest. Tim and Sue noted that the Village is still in negotiations and has not yet reached agreement on key terms, including whether the Village will provide infrastructure, land, or both. Peter agreed to prepare additional scenarios with construction beginning in 2027, and versions both with and without lot sale revenues, to allow for more realistic planning comparisons.

The board discussed the "pay-as-you-go" TIF model, in which a developer installs infrastructure at their own cost and is reimbursed over time using the TID's generated tax increment. Sean and Peter expressed a preference for this model, as it places less financial risk on the Village and avoids upfront borrowing. However, they acknowledged that this approach depends on the leverage position of the community and the willingness of the developer. For a community like Webster focused on attainable housing at approximately \$275,000 per unit, there is limited room to absorb higher costs, and a developer taking the risk upfront may be harder to attract.

Tim raised the possibility of issuing a Request for Proposals (RFP) if negotiations with the current developer do not succeed. Sean suggested that any RFP could indicate that the Village prefers the pay-as-you-go assistance model, without making it an absolute requirement.

Tim also asked about the implications of the TID generating a surplus at the end of its life. Sean confirmed that any excess balance at closure would be returned to the overlapping taxing jurisdictions, but noted that in practice, a successful TID with a surplus would likely prompt the Village to undertake additional eligible projects within the district before that occurs. Ed noted that the TID 3 boundaries also include the industrial park property, and that potential future phases of development—such as an additional 20 units further down the road—were not factored into the current model.

#### **TID 2 Review**

Peter presented a review of TID 2's remaining cash flow, noting that as of the 2025 draft financials, the TID still owes the general fund approximately \$305,000 and the water fund approximately \$55,000. The projection indicates that TID 2 will be able to repay both obligations before the end of its life, which Sean confirmed is good news.

Sean raised an important strategic point regarding TID 2's annual increment payments—approximately \$61,000 per year—returning to the general fund. He suggested the board consider whether those funds, once received, could be advanced to TID 3 to cover early-year interest payments, thereby reducing the total amount borrowed for TID 3 and saving on overall interest costs. He cautioned, however, that this decision depends on whether the general fund has sufficient month-to-month cash flow without those funds, and encouraged the board to analyze that internally.

Deb noted that Jonathan had clarified this morning that the repayment from TID 2 to the general fund would not appear as revenue on the income statement, but would instead shift balances on the balance sheet—specifically, reducing the "non-spendable" fund balance and increasing the "unassigned" balance, while also increasing cash. Sean confirmed this understanding and walked through the relevant line items on the general fund balance sheet, including the reduction in "advances to other funds" and a corresponding increase in cash.

Sean emphasized the importance of proactively communicating to Jonathan that the intent is to move the TID 2 balance back to the general fund, rather than leaving it sitting in the TID 2 fund. It was noted that auditors typically follow direction from the Village on such treatment. Tim agreed this was worth remembering, and Ed confirmed he would note it.

Regarding the \$55,000 owed from TID 2 to the water utility, Peter noted that given the water utility's limited cash position, it may be advisable to prioritize repayment to the water fund before the general fund. Sean concurred, noting that while all funds are commingled for operational purposes, the water utility's near-zero cash balance could create operational problems, and reordering the repayment priority could address that.

### **Water Utility Review**

Peter reviewed the water utility's financial position using the 2025 draft financials. Operating revenues were approximately \$193,000, against operating expenses of approximately \$202,000 (including depreciation), resulting in negative operating income. After adding back depreciation and a small amount of interest revenue, and accounting for the payment-in-lieu-of-taxes (PILOT) to the general fund, approximately \$20,695 in cash was available for debt service. This covered the existing 2013 water revenue bond at a coverage ratio of approximately 1.46x. However, Peter noted that if the misclassified \$10,000 State Trust Fund loan (water tower) were correctly attributed to the water utility, coverage would fall below the required threshold.

Ed noted that the Village implemented a significant water rate increase in the third quarter of the prior year through a full PSC rate case. Sean and Peter indicated that incorporating the projected revenues from that rate increase would substantially change the picture. Deb was asked to forward the final PSC rate case report to Ehlers so the water utility projections could be updated accordingly.

### **Sewer Utility Review**

Peter briefly reviewed the sewer utility, noting that its financial condition was in rougher shape. Operating revenues were approximately \$125,000 against expenses of approximately \$238,000 including depreciation, resulting in a negative net operating position even after adding back depreciation. The board acknowledged this was a known issue. Tim confirmed that the Village has not yet implemented a planned sewer rate increase, as they are awaiting engineering numbers from MSA and project engineer Jacob regarding the upcoming sewer project before setting new rates. It was noted that correcting the water tower loan misclassification would improve sewer figures slightly while worsening the water utility's, and Peter agreed to make that adjustment.

### **Key Take Aways and Summary of Follow-Up Items:**

- TID 3 will cash flow (without land sale it will break even)
- Water and Sewer Funds are 'under water'.
- Can use TID 2 revenue to pay down TID 3 or transfer to Water Fund
- TID 2 will pay for itself before it terminates
- Ehlers (Peter): Prepare updated scenarios for TID 3 with construction beginning in 2027, and versions with and without lot sale revenues.
- Ehlers (Peter): Correct the State Trust Fund loan classification (water tower from sewer to water) and update all related worksheets.
- Ehlers: Incorporate the water utility rate increase into projections once the PSC rate case report is received.
- Deb (Clerk-Treasurer): Forward the PSC rate case final report to Ehlers for use in the water utility projection update.
- Deb (Clerk-Treasurer): Forward updated Ehlers worksheets to Village auditor Jonathan for review and feedback once Ehlers has made all corrections.

### **5. Motion to Adjourn**

As this was an informational meeting with no board action taken, no formal motion to adjourn was recorded. The meeting concluded with participants thanking Ehlers for the presentation.

Minutes prepared by the Debra Doriott-Kuhnly, Clerk-Treasurer, May 28, 2026