

October 16, 2024

A special meeting of the Common Council of the City of Eagle River was called to order at 4:45 PM by Mayor Hyslop.

Roll Call: Dan Dumas, Kim Schaffer, Vic Washelesky and Jerry Burkett Also in attendance: Becky Bolte, Robin Ginner, Cory Hoffmann, Mike Sanborn (Zoom), John Laszczkowski, Steve Garbowicz, Chris Dobbs (Zoom), Adam Ross, Mike Adamovich, Tony Sable, Kyle Anderson.

a) 2023 Financial Statement presented by Clifton Larson Allen LLP: Scott Sternhagen and Yvette Mueller were present from CLA Accounting Firm with Sternhagen presenting the 2023 financial statements. The independent auditors' report gave the CLA auditors' opinion that the financial statements were presented fairly in all material respects. Sternhagen went through the audit report. Enterprise funds were discussed. Electric, Water, and Sewer had small positive cash flow balances showing rates are properly set. Sternhagen highlighted that the Golf Course fund has an advance from other funds balance of approximately \$509,000 at the end of 2023. This advance from other funds is owed back to the City and has accumulated over many years. City Treasurer Hoffmann disputed that figure and is going to audit this aspect herself to verify that number. Sternhagen then reported on the City General Fund, pointing out from an operating standpoint, the General Fund went down \$66,000, which was a vast improvement from the 2023 budget. The Statement of Revenues, Expenditures and Changes in Fund Balance report showed large transfers in and out of the General Fund, with Sternhagen explaining these transfers resulted from the TID analysis and findings of ineligible projects and associated TID financial reporting. The total approximate balance of all funds was \$2.5 million at the end of 2023. The TID fund balances have been reallocated to the General Fund, and our debt capacity is at about 37%.

b) TID audit findings and adjustments made to City of Eagle River Financial Statements, presented by Clifton Larson Allen LLP: As a result of concerns of matching debt with projects stemming from the 2022 audit, CLA dug into the projects associated with the TID's. The CLA TID review identified a majority of the projects done after the Severely Distressed designation date of September 2012 were ineligible expenditures that were made outside the boundaries of the designated TID's. The corrections associated with the TID analysis resulted in a negative \$1.57 million net change in the General Fund balance. CLA provided a written summary of the findings and related transfers from two TID's concerning ineligible expenditures outside of TID boundaries following the Severely Distressed designation approval, listing recommendations for recovery. TID 2 had a transfer of approximately \$476,000 from the General Fund to reimburse the TID fund for ineligible expenditures. TID 3 had a transfer of approximately \$1.6 million from the General Fund to reimburse the TID fund for ineligible expenditures. While the General Fund was negatively impacted, the CLA memo stated; As a result of the transfers from the General Fund, both TID 2 and TID 3 are in a better financial position, with the ability to close prior to the required closure date, early closure will benefit City residents, along with other taxing jurisdictions. Burkett questioned why previous auditors didn't catch this with CLA unable to speak for what happened back in 2012. Sternhagen stated that this is not a cash money thing, it's a reallocating thing. The funding that paid for the TID debt was already being levied so this is not extra. The council questioned how previous auditors allowed this to happen through many audited years. Discussion on culpability. Sternhagen stated that this reallocation will not have an impact on the tax levy as we were already levying the TID debt. Sternhagen ended the discussion stating discovering this now when it could be corrected is much better than if it was discovered at TID closing.

c) TID recovery options for City Council consideration, presented by RW Baird: Adam Ruechel, BAIRD Vice President, was present and supplied a written packet giving an overview of the City Fund balances and presenting General Fund recovery recommendations to move forward after the TID debt and authorized expenditures for TID projects were reallocated into the City's General Fund. Recommendations included: Budgeting recommendations, TIF District Interest rate charge for prior City support of the TID's from 2007-2011 to reimburse the general fund, Enterprise Fund Advancements to General Fund – John Laszczkowski of Eagle River Light and Water pushed back stating that ERLW does not have the funds to do advance to the City, and Converting USDA Loans to General Obligation Debt loans. Conversion of 5 portions of USDA Loans to GO Debt was discussed. If USDA loan to GO Debt conversion would be completed by December 2024, it

would impact the 2024 financials and create positive General Fund Cash Balance. Discussion. *Motion by Washelesky, 2<sup>nd</sup> by Schaffer to authorize staff to apply a 5% interest rate chargeback from TID 2 to General Fund Reserves for assistance from 2007-2011 not to exceed \$262,612. Carried on a roll call vote, all.*

*Motion by Schaffer, 2<sup>nd</sup> by Dumas to direct Baird to return to Council with a borrowing resolution to implement the conversion of USDA loans to GO debt as detailed in presentation. Carried on a roll call vote, all.*

d) City of Eagle River 2025 Staff Payroll Plan: Postponed until budget workshop

e) Final Payment Request, Maple/Birch Street Project, Pitlik & Wick \$188,136.52. *Motion by Burkett, 2<sup>nd</sup> by Washelesky to approve final payment request for the Maple/Birch Street Project for Pitlik & Wick for a total of \$188,136.52. Carried on a roll call vote, all.*

f) Riverside Park – discussion only on City preferences for development of parcel. Burkett presented an update on the possibility of selling the Vilas County owned parcels on the North (river) side of the road behind the fairgrounds at Riverside Park. Vilas County is doing a study on whether the 900' of unused frontage should be developed as Residential, Commercial or a combination. Developing this property will be a revenue producer for Vilas County, and if annexed, the City of Eagle River and Eagle River Light and Water. Burkett reiterated to the Fair Board members present that he is not trying to close down the fair. Burkett reported that he received a letter of City support from Mayor Hyslop, supporting Vilas County for being good stewards of the property.

g) Golf Course Roof – Additional repairs to eave & ridge support, \$11,000 to Hite House Builders: *Motion by Schaffer, 2<sup>nd</sup> by Dumas to approve the additional repairs to the eave and ridge support at the Golf Course Clubhouse for \$11,000 to Hite House Builders. Carried on a roll call vote, all.*

h) Eagle River Police Department – Two-year wage agreement at 3% per year. *Motion by Dumas, 2<sup>nd</sup> by Burkett to approve the two-year wage union agreement at 3% per year for the Eagle River Police Department. Carried on a roll call vote, all.*

*Motion by Vic Washelesky, 2<sup>nd</sup> by Dumas to adjourn to Closed Session at 6:45PM according to Wisconsin State Statute 19.85 (1) (e) Deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session; Offer to purchase Lot 2, Elm Drive. Carried on a roll call vote, all.*

*Motion by Burkett, 2<sup>nd</sup> by Washelesky to reconvene in Open Session at 7:00PM according to Wisconsin State Statute 19.85(2) with possible action on closed session agenda items. Carried on a roll call vote, all.*

*Motion by Burkett, 2<sup>nd</sup> by Dumas to accept offer to purchase on Lot 2, Elm Drive. Carried on a roll call vote, all.*

*Motion by Dumas, 2<sup>nd</sup> Marquardt to adjourn the meeting at 7:05PM. Carried all.*

Becky J Bolte - Clerk