



Budgeting Basics

Key Concepts



Financial Policies



Budget law, timelines, guidance & preparation



Fund accounting & expense allocation



Fund balance targets & uses



Understand key components of levy limits



Long-term financial planning



Tax bill calculation and verification

Financial Policies: Why They're Necessary

- Communicates governing body's prerogatives, objectives & goals to staff, public
- Provides framework for good governance & fiscal management
- Promotes stability & continuity
- Delegates specific authorities & accountabilities
- Defines boundaries, limitations & systems of internal control

Financial Policies: Common Examples

**Capital
Improvement
Plan**

**Financial
Management
Plan**

**Debt
Management
Policy**

**Fund Balance
Policy**

**Budget
Policy**

**Investment
Policy**

**Procurement
Policy**

Fund Accounting: What is it?

A method of segregating resources into categories to identify both the source & use of funds...

Fund Accounting

- System emphasizing accountability, not profitability
- Dollars held & tracked in separate funds

Governmental Funds

Account for activities primarily supported by taxes, grants & similar sources

General Fund

Special Revenue

- Library
- Parks & Recreation
- Transit

Debt Service

Capital Project

Proprietary Funds

Account for activities significantly supported by user fees & charges

Enterprise:

- Water
- Sewer
- Electric

Internal Service

- Fleet
- Facilities
- Information Technology
- Risk Management

Fund Accounting: Governmental Funds

General Fund: Includes all revenues & expenditures for operating the government

Revenues	Expenditures
Taxes	General Government
Intergovernmental Revenues	Public Safety
Licenses & Permits	Public Works
Fines, Forfeitures & Penalties	Health & Human Services
Public Charges for Services	Culture, Recreation & Education
Intergovernmental Charges	Conservation & Development
Miscellaneous Revenues	Other Financing Uses
Other Financing Sources	

Fund Accounting: Governmental Funds

Other Governmental Fund Types

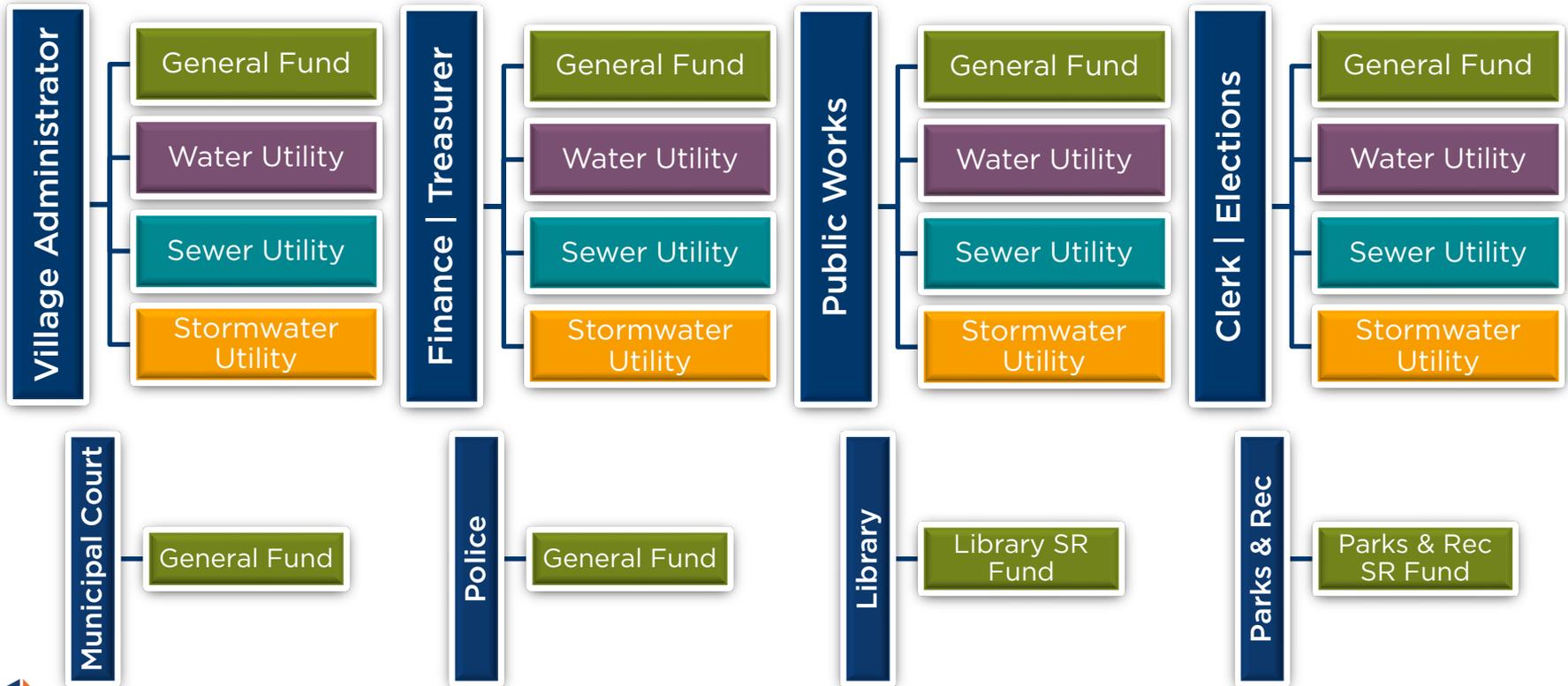
Special Revenue Fund	Accounts for the proceeds of specific revenue sources that are restricted for specified purposes.
Capital Projects Fund	Accounts for financial resources for the acquisition or construction of major capital facilities that benefit many citizens, such as parks and municipal buildings.
Debt Service Fund	Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Fund Accounting: Proprietary Funds

Proprietary Fund Types

Enterprise Fund	Accounts for operations of governmental units that charge for services provided to the general public
Internal Service Fund	Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit. Services are offered only to governmental agencies.

Fund Accounting: Department to Fund Relationship



Fund Accounting: Department to Fund Relationship

Expense account percentage distribution to Utility Funds:

Department	Account Description	Total	Percentage Allocation			
			General Fund	Water Utility	Sewer Utility	Storm Utility
Administrator	Training/Travel/Meetings	100%	35%	25%	25%	15%
Administrator	Membership Dues	100%	45%	20%	20%	15%
Finance	Accounting/utility software	100%	25%	25%	25%	25%
Finance	Bank/Investment Fees	100%	25%	25%	25%	25%
Finance	HRA Deductible Adm in Fee	100%	50%	20%	20%	10%
Finance	Training/Travel/Meetings	100%	45%	20%	20%	15%
Finance	Membership Dues	100%	45%	20%	20%	15%
Village Hall	Postage	100%	25%	25%	25%	25%
Village Hall	Printing/Publishing Copies	100%	65%	15%	10%	10%
Village Hall	Equipment/Copier Maintenance	100%	65%	15%	15%	5%
Village Hall	Office Supplies	100%	70%	15%	10%	5%
Village Hall	Telephone/internet	100%	65%	15%	15%	5%
Village Hall	Building Maintenance	100%	65%	15%	15%	5%
Public Works	DPW Travel/Training/Meetings	100%	0%	33%	33%	33%
Public Works	Licensing and Testing	100%	55%	15%	15%	15%
Public Works	DPW Phone - mainline/cellphones/internet	100%	55%	15%	15%	15%
Public Works	Gas & Oil	100%	50%	20%	15%	15%
Public Works	Garage Tools	100%	55%	15%	15%	15%
Public Works	Vehicle Materials & Maintenance	100%	55%	20%	15%	10%
Public Works	Locating Costs (Digger Hotline)	100%	0%	33%	33%	33%
Insurance	Insurance (excludes SIF deductible)	100%	50%	20%	15%	15%
Contracted Services	Audit services	100%	40%	26%	17%	17%
Contracted Services	IT Support Services	100%	70%	10%	10%	10%
Contracted Services	Engineering Services	100%	5%	35%	35%	25%
Contracted Services	Website Hosting	100%	70%	15%	10%	5%
Contracted Services	Employee Assistance Program	100%	50%	20%	20%	10%

Applicable Law

Wisc. Statutes 65.90

- Budgets required
- Specifies minimum content for budgets
- Requires publication of budget summary & notice of public hearing
- Prescribes required summary content
 - ✓ Class I notice: at least 15 days prior to public hearing
- Budget amendment required to change amount of tax levy, amount of appropriation or purpose
 - ✓ Class I notice & 2/3 majority vote required

Budget Preparation: Typical Timeline

January	February	March	April	May	June
< - - - - - Prior year audit complete - - - - - >					
< - Update supporting documents: Capital Improvement Plans, Financial Management Plans, Policies - >					
				Council/Board budget guidance to staff	Staff preparation of budget
July	August	September	October	November	December
Staff preparation of budget	Staff preparation of budget January 1 equalized values certified	Draft budget presented Budget workshops	Budget workshops Budget finalized	Public hearing Budget & tax levy approved	Tax bills mailed

Budget Guidance: Collaborate

Important to collaborate with the Board or Council

**Tax levy & rate objectives
(impact on taxpayers)**

New services or initiatives

Permissible decreases in service levels

Capital project prioritization

Acceptable debt financing levels

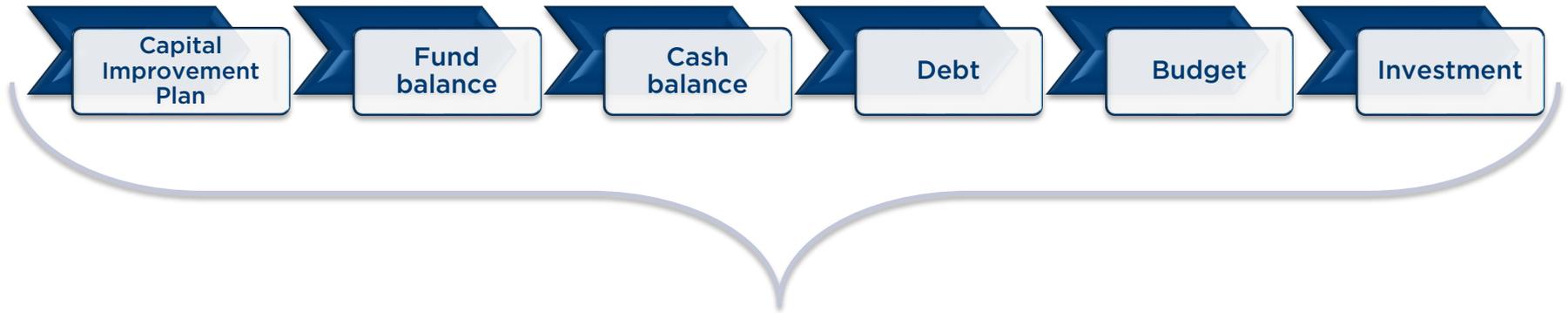
Use of fund balances

Budget Content

- By law, municipal budgets must include:
 - ✓ All existing indebtedness
 - ✓ All anticipated revenue from all sources
 - ✓ All proposed appropriations for each department, activity & reserve account
 - ✓ Actual revenues & expenditures for:
 - The preceding year
 - Not less than the first six months of current year
 - ✓ Estimated revenues & expenditures for balance of current year
 - ✓ All anticipated unexpended or unappropriated balances & surpluses

Establish Strategy & Set Goals

- Focus on moving government forward
- Develop policies to steer key indicators:



Your Financial Management Policy

Budget Tips

- History can be your guide; 3-5 years historical data will inform forecasting
- Let your long-term financial plan drive the budget
- Don't use surpluses or reserves to fund operating deficits
- Consider budgeting a contingency
- Don't ride the roller coaster! Focus on stabilization of annual levies/tax rates over time

Budget Tips

Key Terms:

Tax Levy: The total amount of ad valorem (property) taxes collected by a municipality

Tax Rate: A representation of the tax levy at a scale of \$1/\$1,000 of assessed value

Calculating the tax levy is a function of netting revenues and expenses to arrive at a balanced budget

\$1,550,000

Revenue	Amount
Property Tax	?
Building Permits	\$100,000
Licenses and Fees	\$50,000
Local Government Aid	\$200,000
Total-Without Property Tax	\$350,000

Expenses	Amount
General Government	\$350,000
Planning and Building	\$200,000
Public Works	\$800,000
Public Safety	\$550,000
Total	\$1,900,000

Building Beyond Operations: Capital Plan

Identify financing options

- Debt
- Cash
- Partial Cash/Debt



Determine impact

- Tax rate
- Debt limit

Funding Capital Needs

Sources of Funding	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
G.O. Debt	6,060,500	3,177,125	863,500	1,850,457	927,500	1,141,312	625,000	222,000	1,824,700	1,013,048
Revenue Debt	211,000	0	1,003,000	495,000	1,000,000	469,500	370,000	264,000	554,500	660,000
Grants/Aids	0	0	0	0	0	0	0	0	0	0
Special Assessment	0	0	0	0	0	0	0	0	0	0
Equipment Replacement Fund	0	0	0	0	0	0	0	0	0	0
Cash	77,244	192,225	187,195	248,600	184,088	343,344	268,462	373,384	233,000	133,900
Total	6,348,744	3,369,350	2,053,695	2,594,057	2,111,588	1,954,156	1,263,462	859,384	2,612,200	1,806,948

- Why don't we pay with all cash?!
 - ✓ Available funds
 - ✓ Asset life
 - ✓ Generational equity

Impact of CIP on Debt Levy/Taxes (Table 7)

- Structure around existing debt
- New money projects will cause some fluctuation of levy for debt unless the Village uses capitalized interest or gap financing. Since both add financing costs these options are typically not recommended

Debt Service Levy		Taxes			Year Ending
Total Net Debt Service Levy	Levy Change from Prior Year	Total Tax Rate for Debt Service	Annual Taxes \$300,000 Home	Annual Taxes Difference From Existing	
1,615,071		\$1.48	\$445	\$0	2024
2,295,045	679,974	\$2.06	\$617	\$190	2025
2,294,015	(1,030)	\$1.91	\$572	\$177	2026
2,371,362	77,347	\$1.92	\$577	\$205	2027
2,371,355	(7)	\$1.87	\$562	\$213	2028
2,369,340	(2,015)	\$1.83	\$548	\$276	2029
2,364,940	(4,400)	\$1.78	\$534	\$324	2030
2,364,081	(859)	\$1.70	\$511	\$302	2031
2,361,828	(2,254)	\$1.66	\$498	\$295	2032
2,589,561	227,734	\$1.78	\$533	\$337	2033
2,586,015	(3,546)	\$1.73	\$519	\$330	2034
2,486,028	(99,988)	\$1.62	\$487	\$303	2035
2,484,623	(1,405)	\$1.58	\$473	\$295	2036
2,480,215	(4,408)	\$1.53	\$460	\$288	2037
2,404,658	(75,558)	\$1.45	\$435	\$268	2038
2,402,145	(2,513)	\$1.41	\$424	\$268	2039
2,258,313	(143,833)	\$1.30	\$389	\$311	2040
2,006,163	(252,150)	\$1.12	\$337	\$337	2041
1,929,513	(76,650)	\$1.05	\$316	\$316	2042
1,862,038	(67,475)	\$0.99	\$298	\$298	2043
1,482,263	(379,775)	\$0.77	\$231	\$231	2044
431,350	(1,050,913)	\$0.22	\$66	\$66	2045
411,050	(20,300)	\$0.20	\$61	\$61	2046
390,750	(20,300)	\$0.19	\$57	\$57	2047
380,150	(10,600)	\$0.18	\$54	\$54	2048
213,750	(166,400)	\$0.10	\$29	\$29	2049
211,500	(2,250)	\$0.09	\$28	\$28	2050
198,900	(12,600)	\$0.09	\$26	\$26	2051
186,300	(12,600)	\$0.08	\$24	\$24	2052
0	(186,300)	0	0	0	2053
				\$5,907.96	Total
Total cost of DS to sample taxpayer					

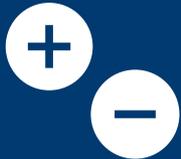
Impact of CIP on G.O. Debt Capacity

Existing Debt					Proposed Debt					
Year Ending	Projected Equalized Value (TID IN) ¹	Debt Limit	Existing Principal		Combined Principal Existing & Proposed	Statutory Limit (5% EV)		Recommended Limit (2.5% EV)		Year Ending
			Outstanding	% of Limit		% of Limit	Residual Capacity	% of Limit	Residual Capacity	
2023	1,182,093,600	59,104,680	19,860,899	34%	\$19,860,899	34%	\$39,243,781	67%	\$9,691,441	2023
2024	1,212,373,585	60,618,679	18,433,587	30%	\$27,883,587	46%	\$32,735,092	92%	\$2,425,753	2024
2025	1,243,429,209	62,171,460	16,974,893	27%	\$26,424,893	43%	\$35,746,567	85%	\$4,660,837	2025
2026	1,275,280,341	63,764,017	15,463,713	24%	\$27,523,713	43%	\$36,240,304	86%	\$4,358,295	2026
2027	1,307,947,356	65,397,368	13,943,171	21%	\$25,853,171	40%	\$39,544,197	79%	\$6,845,513	2027
2028	1,341,451,156	67,072,558	12,430,000	19%	\$26,405,000	39%	\$40,667,558	79%	\$7,131,279	2028
2029	1,375,813,174	68,790,659	11,225,000	16%	\$24,805,000	36%	\$43,985,659	72%	\$9,590,329	2029
2030	1,411,055,394	70,552,770	10,245,000	15%	\$23,930,000	34%	\$46,622,770	68%	\$11,346,385	2030
2031	1,447,200,363	72,360,018	9,200,000	13%	\$22,230,000	31%	\$50,130,018	61%	\$13,950,009	2031
2032	1,484,271,205	74,213,560	8,140,000	11%	\$23,390,000	32%	\$50,823,560	63%	\$13,716,780	2032
2033	1,522,291,638	76,114,582	7,075,000	9%	\$21,635,000	28%	\$54,479,582	57%	\$16,422,291	2033
2034	1,561,285,986	78,064,299	6,005,000	8%	\$19,725,000	25%	\$58,339,299	51%	\$19,307,150	2034
2035	1,601,279,195	80,063,960	4,920,000	6%	\$17,850,000	22%	\$62,213,960	45%	\$22,181,980	2035
2036	1,642,296,853	82,114,843	3,825,000	5%	\$15,915,000	19%	\$66,199,843	39%	\$25,142,421	2036
2037	1,684,365,201	84,218,260	2,720,000	3%	\$13,920,000	17%	\$70,298,260	33%	\$28,189,130	2037
2038	1,727,511,153	86,375,558	1,580,000	2%	\$11,910,000	14%	\$74,465,558	28%	\$31,277,779	2038
2039	1,771,762,312	88,588,116	450,000	1%	\$9,825,000	11%	\$78,763,116	22%	\$34,469,058	2039
2040	1,785,954,448	89,297,722	0	0%	\$8,070,000	9%	\$81,227,722	18%	\$36,578,861	2040
2041	1,830,665,763	91,533,288		0%	\$6,485,000	7%	\$85,048,288	14%	\$39,281,644	2041
2042	1,876,496,425	93,824,821		0%	\$4,890,000	5%	\$88,934,821	10%	\$42,022,411	2042
2043	1,923,474,456	96,173,723		0%	\$3,275,000	3%	\$92,898,723	7%	\$44,811,861	2043
2044	1,971,628,580	98,581,429		0%	\$1,960,000	2%	\$96,621,429	4%	\$47,330,715	2044
2045	2,020,988,242	101,049,412		0%	\$1,650,000	2%	\$99,399,412	3%	\$48,874,706	2045
2046	2,071,583,621	103,579,181		0%	\$1,340,000	1%	\$102,239,181	3%	\$50,449,591	2046
2047	2,123,445,654	106,172,283		0%	\$1,030,000	1%	\$105,142,283	2%	\$52,056,141	2047
2048	2,176,606,052	108,830,303		0%	\$710,000	1%	\$108,120,303	1%	\$53,705,151	2048
2049	2,231,097,318	111,554,866		0%	\$540,000	0%	\$111,014,866	1%	\$55,237,433	2049
2050	2,286,952,772	114,347,639		0%	\$360,000	0%	\$113,987,639	1%	\$56,813,819	2050
2051	2,344,206,565	117,210,328		0%	\$180,000	0%	\$117,030,328	0%	\$58,425,164	2051
2052	2,402,893,705	120,144,685		0%	\$0	0%	\$120,144,685	0%	\$60,072,343	2052

Levy Limits in Brief



Prior year's actual levy may be increased by percentage = net new construction in previous year (or 0, if none)



Subject to various adjustments that may further reduce or increase allowable levy



Critical to complete worksheet/form correctly & maximize all available adjustments

Section A: General Info

No entries required

- All lines pre-populated by DOR – or –
- Calculated based on entries made in other sections

When completed, Line 10 reflects maximum allowable levy

- If Line 10 is higher than amount you plan to levy...
- May need to adjust other entries

G.O. Debt Authorized After 7/1/05

E

Can claim up to total amount of principal & interest payment due on debt in following year; reported as Adjustment E



Debt must be in place prior to adoption of levy; can't claim adjustment based on an estimate for planned debt



Amount claimed gets netted out in following year's worksheet

HOLD UP!...

G.O. Debt Authorized After 7/1/05, cont...

- Don't claim an amount on Adjustment E that makes allowable levy on Section A, Line 10 to be **MORE** than actual approved levy
- If this happens, **REDUCE** Adjustment E so allowable levy **EQUALS** actual levy
- If you overstate Adjustment E, you will **PERMANENTLY** reduce your levy limit by overstated amount

Expenditure Restraint Program (ERP)

- Part of shared revenue program
- Supplemental payment to municipalities that increase General Fund expenditures & tax levy support to other funds no more than prescribed limit
 - ✓ Tax rate must be at least 5 mills (\$5/\$1,000 of equalized value)
- May impact budget objectives & strategies
- Don't hesitate to have your Ehlers Advisor check compliance with ERP & Levy Limits

Fund Balance

Category	Description	Controlled by	Examples	
Nonspendable	Not in spendable form	Nature of asset, or legal requirement	Inventories, pre-paid amounts & land	
Restricted	May only be spent for the purpose for which restricted	Creditor or grantors, applicable laws & regulations	Debt service funds, grant funds, impact fees	
Unrestricted	Committed	Funds the municipality has committed for a specific purpose	Governing body must act to commit or un-commit funds	A capital project under contract
	Assigned	Funds the municipality intends to use for specific purposes	Governing body or designee	Future capital projects or equipment purchases
	Unassigned	All other funds not otherwise designated	Governing body or designee	Funds held as working capital and for emergencies

Fund Balance: Uses



Provide working capital & address cash flow needs



Cover unanticipated revenue shortfalls or cost overruns



Pay emergency expenses



Fund future capital projects or equipment purchases



Payoff debt service, debt reduction



Fund limited duration programs or non-recurring expenditures

Fund Balance: How much is enough?

- GFOA recommends minimum of 2 months worth of operating expenses
- 25% = common target (3 months)
 - ✓ Rating agencies recommend 35%+
- Target depends on individual situations, needs & resources
- Bond ratings positively impacted by higher levels
 - ✓ If rated, consider peer group average
 - ✓ Review 5-year trend
- Develop formal fund balance policy

Fund Balances: Don't forget!

- Avoid balancing core budget with unassigned fund balances
 - ✓ Creates recurring gap that must be filled each year
- Use committed & assigned or unassigned funds exceeding target balances to:
 - ✓ Cover costs of capital projects & equipment purchases
 - ✓ Reduce debt
 - ✓ Pay for non-recurring operating costs



Long-Term Financial Planning: What is it?

- Multi-year fiscal plan for tax supported & other funds
- Typically, five-year projections
- Integrates the following:
 - ✓ Existing debt
 - ✓ Capital improvement plans (CIPs)
 - ✓ Future debt & uses of reserves
 - ✓ Tax base growth assumptions
 - ✓ Future operating revenues & expense
 - ✓ Staff additions
 - ✓ TIF district closures

Long-Term Financial Planning: The Benefits

Allows evaluation of budget priorities over multiple fiscal cycles

Stabilizes property tax levies (remember the roller coaster?)

Avoids “kicking the can down the road”

Gives Council/Board confidence they can afford capital investments

Reduces stress during annual budget process

Rating agencies view multi-year planning favorably

Helps municipalities foresee potential fiscal challenges & opportunities

Tax Bill Calculation & Verification

Input	Data	Source
Total Municipal Assessed Value	7,449,898,200	Statement of Assessment
Total School Assessed Value	6,944,362,600	Statement of Assessment
Toal County Assessed Value	7,449,898,200	Statement of Assessment
Total Tech College Assessed Value	7,006,244,800	Statement of Assessment
Equalized Incremental Value all TID's (in same county)	144,454,000	TID Valuation limit report (DOR)
Equalized Incremental Value all TID's (in same school district)	144,454,000	Statement of Changes
Assessment Ratio	0.8857044200	Statement of Assessment
Municipal TID Out Assessed Value	7,321,954,654	
School TID Out Assessed Value	6,816,419,054	
County TID Out Assessed Value	7,321,954,654	
Tech College TID Out Assessed Value	6,878,301,254	
Address for Property	15985 W. Cynthia Drive	
Property Total Assessed Value	448,000	

Tax Bill Calculation & Verification

Local Tax Calculation

City of New Berlin, WI

Calculating TID Out Tax Rate

Description	Amount
TID OUT Assessed Value	7,321,954,654
Levy Less TID	38,282,500
Assessed TID OUT Rate	5.23

Sample Tax Bill with address and assessed value

15985 W. Cynthia Drive	448,000
Municipal Taxes calculated	2,342
Actual tax bill	2,342
Difference	(0)

Calculating TID IN Tax Rate

Total Assessed Value	7,449,898,200
Total Levy including increment	38,951,997
Assessed TID IN Rate	5.23

School District Tax Calculation

City of New Berlin, WI

Calculating TID Out Tax Rate

Description	Amount
TID OUT Assessed Value	6,816,419,054
Levy Less TID	46,620,846
Gross Assessed TID OUT Rate	6.84
School Tax Credit Amount	10,403,867 (1.397)
Assessed Value (TID IN)	7,449,898,200
Net Assessed Tax Rate	5.443

Sample Tax Bill with address and assessed value

15985 W. Cynthia Drive	448,000
School Taxes calculated	2,438
Actual tax bill	2,439
Difference	0

Calculating TID IN Tax Rate

TID IN Equalized Value (School only)	
Assessment Ratio	
TID IN Assessed Value (School only)	6,944,362,600
Total Levy including increment	47,496,638
Assessed TID IN Rate	6.84

County Tax Calculation

City of New Berlin, WI

Calculating TID Out Tax Rate

Description	Amount
TID OUT Assessed Value	7,321,954,654
Levy Less TID	10,464,890
Assessed TID OUT Rate	1.43

Sample Tax Bill with address and assessed value

15985 W. Cynthia Drive	448,000
County Taxes calculated	640
Actual tax bill	640
Difference	(0)

Calculating TID IN Tax Rate

Total Assessed Value	7,449,898,200
Total Levy including increment	10,647,901
Assessed TID IN Rate	1.43

Tech College Tax Calculation

City of New Berlin, WI

Calculating TID Out Tax Rate

Description	Amount
TID OUT Assessed Value	6,878,301,254
Levy Less TID	1,908,066
Assessed TID OUT Rate	0.28

Sample Tax Bill with address and assessed value

15985 W. Cynthia Drive	448,000
Tech Taxes calculated	124
Actual tax bill	124
Difference	(0)

Calculating TID IN Tax Rate

Total Assessed Value	7,006,244,800
Total Levy including increment	1,943,585
Assessed TID IN Rate	0.28

Net Assessed Tax Rate = \$12.38

TAX KEY: NBC 1240 175

15985 W CYNTHIA DR
 NEW BERLIN WI 53151-6621

Assessed Value Land 94,700	Assessed Value Improvements 353,300	Total Assessed Value 448,000	Ave Assmt Ratio .8857	Net Assessed Value Rate (Does NOT reflect Lottery Credit) 12.3783/M
Est Fair Mkt Land 106,900	Est Fair Mkt Improvements 398,900	Est Fair Mkt 505,800	A star in this box means unpaid prior year taxes.	School taxes reduced by school levy tax credit: 625.64

Taxing Jurisdiction	2024 Est. State Aids Allocated Tax District	2025 Est. State Aids Allocated Tax District	2024 Net Tax	2025 Net Tax	% Tax Change
CITY OF NEW BERLIN		4,331,161		2,342.38	
COUNTY OF WAUKESHA		899,161		640.31	
NEW BERLIN SCHOOL DISTRICT		20,919,105		2,438.50	
WAUKESHA COUNTY TECH COLLEGE		4,441,764		124.28	
Total		30,591,191		5,545.47	

WARNING: Installment option is lost if not paid by due dates.
 Total tax will be delinquent and subject to interest & penalty charges.
 See reverse side for other important information.

First Dollar Credit	54.56
Lottery and Gaming Credit	163.69
Net Property Tax	5,327.22



Final Thoughts

- Let long-term financial plan drive budgets
- Don't use surpluses or reserves to fund operating deficits
- Consider budgeting contingency
- Focus on stability: Don't ride the "roller coaster!"
- Consider cash or "near cash" financing for certain equipment
- Manage debt wisely
- Check Levy Limit compliance and tax bill calculations before final submission/approval



Let's Talk!



Your Presenter



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Important Disclosures

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