

CITY OF PORT WASHINGTON
BUSINESS IMPROVEMENT DISTRICT BOARD MEETING

Minutes

Friday, October 1, 2021 – 7:35 a.m.
City Hall, Lower-Level Conference Room & Zoom

President BreAnna Porth called the meeting to order at 7:35 a.m.

In Attendance

Board Members - Brian Barber, Ross Leinweber, BreAnna Porth, Gertjan van den Broek, Patrick Tearney

Guests: Jennifer Clark: Treasurer - City of Port Washington

Not attending

Board Members – Laura Burke, Angela Sikowski

Minutes

Minutes for BID Board Meetings on September 10, 2021, submitted. Motion made by Gertjan van den Broek to approve minutes from previous meeting. Seconded by Brian Barber. All in favor - motion passed.

Treasurer's Report

No Treasurer's report presented. Financials presented at September 2021 meeting current.

Port Washington Main Street Update

PW Main Street Executive Director Kristina Tadeo presented general summary of activities at PW Main Street, primarily as it relates to 4th quarter spending and outlook on the budget for 2022. Highlights include:

- Two community events (Fall Festival and Christmas on the Corner) will influence Main Street financials. Continued effort to raise sponsorship dollars for these activities continues.
- Nominal figures within Main Street financials for 2021 are higher than normal due to associated fund raising and expenses related to Heart of the Harbor campaign. Grand opening of Heart of the Harbor exhibit is scheduled for October 28th.
- Main Street will initiate an end of the year fundraising push to the general community. Direct outreach by donors has occurred after the success of the Heart of the Harbor endeavor. Main Street Leadership intends to attempt to capitalize on this momentum.
- The virtual Shopping mall opportunity associated with national "Buy local" grant program did not find success. Two downtown merchants participated and found the program extensive work for the audience and sales they garnered. Main Street will not continue this affiliation in 2022.
- The Main Street website is still under construction and renovation.

Main Street Funding Request

Funding request submitted by Port Washington Main Street for \$16,500 for 2021 fourth quarter. Motion made by Brian Barber to approve the Port Washington Main Street funding request. Seconded by Gertjan van den Broek. All in favor - motion passed.

Main Street brought to the BID Board a request for \$5000 for 2022 to fund additional hours for the assistant to the Main Street Executive Director and a market manager position for the farmer's market. This funding request was discussed, found to not be timely, and the BID board decided to table it for discussion over the coming months.

Other Business

Approval of the BID assessment and mill rate calculation for 2022 was tabled. New assessment amounts were not available for 2021. Given the large, expected increases in assessments, the Board decided to hold off on defining the mill rate for 2022. Requests have been submitted to the city of Port Washington for further information on 2021 assessments and a virtual meeting is planned in the coming weeks to discuss and set the mill rate for 2022.

See Addendum A for details on motions to pass a 2022 Port Washington BID operating plan that occurred via email on October 7-14, 2022.

Next Meeting

To be determined.

Adjournment

Motion made by Brian Barber to approve adjournment of meeting. Seconded by Gertjan van den Broek. All in favor - motion passed.

BID Board Committee Members

Brian Barber	262.268.9900
Laura Burke (Vice President)	262.284.5900
Ross Leinweber (Secretary)	414.333.1707
BreAnna Porth (President)	262.268.7905
Angela Sikowski (Treasurer)	262.376.3291
Patrick Tearney (Aldersperson)	262.268.1171
Gertjan van den Broek	262.573.5752

ADDENDUM A

On October 7, 2021 (via email), Gertjan van den Broek proposed the following motion to the Port Washington BID Board Committee. It failed to get a second from the committee.

“Motion #1: I make a motion to set the BID Mill Rate to \$1.909829842 per \$1,000 starting in 2022 plan year

Background:

2018 Mill Rate: \$1.827633820

2019 Mill Rate increased 10% to \$2.010347202

2022 proposed rate: 5% decrease in Mill, whilst assessed value increased 8.6% from \$35.8M to \$38.9M

Reasoning:

1. Believe we want to show everyone the benefit of growth and expanding the tax base. A decreased mill rate could show that – but of course we’d need to trumpet it since most are probably thinking \$ not %
2. BID anticipated income would go from \$66,390 to \$69,762 with the proposed mill rate. It is still above Main Street’s 2022 ask and would not hamper Main Street’s growth plans.
3. We’ve approved Main Street taking over the Gift Certificate program – hopefully PWMS Board agrees – and this is a source of revenue that Main Street has not had nor tapped. Further fuel for growth.
4. We still have the lever of requesting greater city contributions – not sure if it’s too late for the city’s budget process, but we could always propose for 2022 operating plan else include in 2023 proposed operating plan. Since we can’t request downtown residents to contribute to BID, this would be a way to indirectly get contributions from residents.
5. We still have the lever of increasing the Cap in our back pocket.

First stab at settling the good discussions now that we have data.

Gertjan”

On October 8, 2022 (via email), Gertjan van den Broek proposed a second motion to the Port Washington BID Board committee. It was seconded by Laura Burke and passed by the BID Board Committee. Committee Member Leinweber dissented on the motion and requested that a summary of his dissent be included in the records of the BID Board proceedings. A copy of this dissent is attached to these minutes.

“Motion #1 failed to get a 2nd so it’s dead. In the spirit of trying to help us all move forward and take some of the work load off BreAnna, attached is the original 2022 BID plan BreAnna circulated to us for review at our 10.1.2021 meeting. Our discussions have focused on the amount of revenue to raise – and how to raise it – although there were a few typos to correct as well. So I’ve taken the liberty of correcting the 2022 proposed plan and have attached it as the REDLINE version of the plan BreAnna circulated pre 10/1/2021. (Motion #2 follows below). Included in this REDLINE version:

1. Leave the CAP as is for now (\$3,850)
2. Leave the \$66,000 budgeted Main Street contribution as is (and as requested) for now.
3. Changing the mill rate from \$2.010347202 to \$1.909829842 per \$1,000. (Although this is a 5% decrease in mill, the BID assessed value increased by 8.6%, so the net effect is a 5.1% increase in bid revenue from \$66,390 to \$69,763 using Brian’s spreadsheet – modified & attached)

In our BID Operating Plan we already have the tools to contribute more to Main Street if we're able. See under Section VII Budget "If the BID assessments total more than \$67,000 for 2022, the BID Board will determine the best use of the additional funds, which may include additional funding to Main Street".

Main Street's 2022 budget presented at our 10/1/2021 BID meeting had a \$7,034 surplus after including expense items for part-time help in the Farmers Market – row 99 of PWMS Budget – and other part time help (row 181). And we've voted to allow Main Street to take over the Gift Certificate program – which currently has a balance greater than our BID minimum reserve (which Main Street can of course lower even further as it has greater reserves) and as any business that sells gift certificates knows, the redemption rate on certificates is less than 100%. In other words – Main Street is set up for even further growth and success in 2022.

And as a BID we retain the levers to increase revenue and investment into Main Street beyond 2022. We just do it in a more controlled manner where we can do thorough due diligence, ask & answer the excellent questions that have been asked, and give Kristina time to build up experience and propose substantiated growth & investment ideas for BID to assess. The levers we retain are:

1. Cap on BID tax (from current \$3,850)
2. City contributions (from \$15k back to \$25k) – this indirectly brings in the non-commercial BID tax base that has grown substantially through BID & Main Street efforts (people want to live downtown)
3. Mill rate (nothing prevents us from changing it in the future again)
4. Accurate BID tax base (use the audit process in 2022 to make sure that all eligible properties are indeed being BID assessed i.e. that the excel spreadsheet is up to date and accurate. Or is there a risk of error like with the new development assessment spreadsheet)
5. Encourage commercial redevelopment (grow the number of properties in our "spreadsheet")

Motion #2: I make the motion to approve the 2022 BID Operating Plan CLEAN as attached to this motion.

We will need a 2nd and then a vote by all. If unanimous, its approved. If not, we'll have to meet.

Gertjan"

Committee Member Leinweber's summary of his dissent.

"October 14, 2022

Port Washington BID Board Committee Members,

This week I dissented on passing the 2022 BID Board operating plan for a variety of reasons. I would like to share the rationale behind this dissent in hopes that future discourse and decisions by the committee follow a more informed, transparent, and deliberated process for the community.

The reassessment of the entire City of Port Washington has stirred several issues within our scope. We were provided additional information that has raised further questions and a hasty decision to move forward solved one problem in that it allowed the city to move forward with the processing of tax bills but forced the committee to forego the necessary conversations to make an informed and better decision regarding the 2022 tax burdens on the BID district.

Due Process for the Community

While the conversation on October 1st primarily focused on providing more resources for growth to Port Washington Main Street, much of the substance of my dissent stems from questions raised during it and poor governance and process by the committee subsequently. I would like to highlight three areas that were problematic:

- Open Meeting Laws – Given the BID Board was conducting business when making a motion and acceptance of the 2022 annual operating budget, it is imperative that we make these proceedings available to the public. This is especially critical when the actions are significant such as a vote on the annual operating plan and budget and critical when members of the BID Board are openly in dissent about the course of action. Whether the committee technically skirted the law, the spirit of the law was at a minimum neglected and the community of Port Washington not-afforded the transparency it deserves.
- Requests for Information – Certain members of the committee asked for additional information from the city of Port Washington and this information was provided. Other members of the committee asked for additional information from the city of Port Washington and this information was not provided. This inconsistency in fulfillment of requests, both of which were impactful to the calculation of the mill rate and 2022 BID assessment of the district speaks to weakness in due process and insufficient due diligence.
- The importance of Attendance by Members – During the October 1st Meeting, Committee Members Burke and Sikowsky were not in attendance. Mayor Neitze, while not required to attend, was also not in attendance. With a smaller BID Board, it is imperative that we attempt to have the entirety of the committee attend so that members are afforded all the information of the conversation, context of the conversation and key critical questions can be asked and answered to create a better-informed decision. By choosing to not have an additional in person or zoom meeting, due process was neglected.

Unresolved Issues for the Community & BID Board

The meeting on October 1st stirred several issues and topics that have been left unanswered. While I appreciate some can be left for future meetings, some of the issues were easily addressed and the committee choose to disregard them.

1. Accuracy in the Assessment Data

Comments were shared at the October 1st meeting by an official of the city of Port Washington that suggest the controls surrounding the archiving and calculation of BID data are “loose”. A comprehensive audit is needed that addresses the following: a) how the Port Washington BID Board data and documents are archived by the committee and City of Port Washington, b) whether the BID assessment spreadsheet has the necessary safeguards in place to avoid errors, c) what the BID Board is getting for the \$1000 audit fee charge it pays each year and whether this figure and the scope of the work needs to be updated annually and/or periodically to ensure accuracy, d) and how we most effectively update the tax district building database as the downtown commercial district grows and changes.

If a more comprehensive set of work is conducted in 2022 to answer these questions, will the charge by the City of Port Washington to BID be different than \$1000 charged in the past? Who will be responsible for the

substance of work and how will BID provide oversight of it? And how might those decisions affect the funds BID has available to disburse to Port Washington Main Street? Important questions.

2. Cap Rate

Given the Cap Rate for a BID assessment is one of the ways to impact the total BID assessment for the district, it is imperative that the conceptual logic underpinning this rule is sound. The conversation on October 1st raised the question of inflation and whether the cap rate has appropriately been increased to align with inflation. As I mentioned above, this information was requested and not provided to the committee for discussion and could have been directly impactful to the 2021 tax assessment.

Bigger picture...

BID supports a Main Street organization which has a national, state, and local mandate of growing and serving small business interests. The BID cap rate, as currently structured, is a regressive tax - meaning it impacts small building assessments more on a percentage basis than large building assessments. Should the committee reassess this principal tenant when it is in stark contrast to the goals of the organization we represent? Should a cap rate be employed at all in the calculations? Important questions.

Additionally, if we have three adjacent buildings within the district – Building A is assessed at \$4M and owned by Taxpayer #1, Buildings B and C are each assessed at \$2M and both owned by Taxpayer #2. Under the current system Building A has a much higher probability of reaching the cap and shielding the taxpayer from further burden despite aggregate assessments being the same. Is this structure appropriate?

As Port Washington property and assessments increase, whether it is driven by inflation or economic success, the current structure of the cap rate is ill equipped to balance the BID assessment burden fairly and flexibly across the district. A thorough reevaluation of the cap rate needs to occur in 2022. Parts of this conversation could have easily been addressed this year.

3. Mix of Public Support

I have served on the BID committee since 2013 and over just that time the City of Port Washington's direct support of Port Washington Main Street has varied from \$25K to \$0K. This variance has been justified by city officials for political interest, hiring needs, and varying short-term factors.

As we think about the public taxpayer portion of the Main Street budget, we have two mechanisms to fund it – the BID assessment and a direct subsidy from the city of Port Washington. In 2022, we should consider what an appropriate balance is between the two levers and make a recommendation to the community and city of Port Washington common council on what a best practice financing ratio should attempt to track each year.

All Port Washington taxpayers benefit when the city has a robust, vibrant downtown commercial district. The community should share the burden of Main Street appropriately.

4. Inflation and its Effects on our BID Assessments and Budgets

Society has been fortunate to live through four decades of disinflationary and low inflation. Given trends, the probability of this fact ending has increased.

For the upcoming year, the cost-of-living-adjustment by the Federal government was set at 5.9%. This proxy for inflation is often deemed to be low by investment professionals. As I noted above in the cap rate section, as inflationary pressures increase, we need to be cognizant of how they affect and constrain our Main Street's annual operating budgets. The BID Board should be assessing whether the structure of the BID tax calculation is responsive to inflation and its changes

As proposed and accepted by the Committee, the committee has allocated Main Street the same budget of \$66K as in 2021 not addressing the inflationary pressure seen currently. As proposed and accepted by the Committee, the mill rate has been at a level that does not keep up with inflation. These choices are ones that constrain the fiscal flexibility and responsiveness of Main Street.

Additionally, given the fact that the City of Port Washington chose to wait to reassess only till it was required by law, the increase in reassessments is being adjusted latently to real time values over the last ten years. As a result, it could be argued tax payments and the associated BID assessments have been discounted in recent years and imposed additional constraints given run rate inflation. If this is going to be practice by the city of Port Washington, providing Main Street with additional resources in a year of reassessment is an option to provide a catch up allocation to their budget.

5. Bias by members of the committee

The intent of my dissent and this conversation is not to increase the tax burden of BID district properties owners – potentially other members of the committee, but rather to construct a system that is fair and balances all interests of BID district building owners, the taxpayers of the City of Port Washington, and provides the necessary resources for growth for Port Washington Main Street and the commercial district.

All BID committee members have personal interests that they must serve, and these personal interests can sometimes align or misalign with their duty of serving on the BID Board, myself included. During our recent meetings comments were shared by one member about an increase of 70% in their own building's assessment. Another committee member would be directly affected if the cap rate was raised or removed. Should we fail to acknowledge the potential bias and motive that may shape perspectives and actions within our proceedings given many of the members may be financially personally affected by the Board's decisions?

Our job as a committee is to try and remain absolute about avoiding these natural outcomes of having vested interests. And the best way to avoid being negligent in that duty is to have open and honest in-person conversations about the issue at hand with the entire group.

Fast Tracking the motion and accepting a 2022 operating budget without a further in person/Zoom conversation raises the question of bias and motive. We can and should execute process better as a committee; we should uphold our fiduciary duty in a stronger fashion for the community.

BID Board Mandate

Over the course of my tenure on the BID Board, the focus of our role and work at hand has changed.

First, we were asked to serve as a bridge between city government and Main Street and assist in repairing the relationship broken over the Harley Davidson event. Next, we were tasked with encouraging broader

participation by the community on the Main Street Board and strengthening the leadership of the organization. Subsequently, we assessed how to keep quality people in place at the Main Street Executive Director position and fund that position. We have helped solve all these problems and we find ourselves in a wonderful position of having strong leaders in place to execute the mission of Main Street.

The BID Board's stated objective is not to reduce taxes for building owners in the BID district as shared by some BID committee members. Our mandate is to grow the commercial district of Port Washington.

Aligning with the mandate, our work for 2022 should include addressing the structural deficiencies in the BID calculation as listed above, working with city government to create a recommended financing mix between the two funding options that is durable long term, and equipping the Main Street organization with additional resources that enables the organization to maximize the talent currently in place and pursue growth strategies for the downtown district and city of Port Washington.

I appreciate the committee's interest in these issues and the opportunity to share my perspectives. Thank you.

Best,

Ross Leinweber
Port Washington BID Committee Member/Secretary"