

City of Winsted
City Council Work Session
Lewis Room
Tuesday, September 6, 2016
5:00 p.m.

Present: Mayor Steve Stotko
Council Member George Schulenberg
Council Member Bonita Quast
Council Member Patty Fitzgerald
Council Member Tom Ollig

Staff Present: Mr. Daniel Tienter, City Administrator
Ms. Raquel Kirchoff, City Clerk-Treasurer

Also Present: Mr. Jake Saulsbury, Bolton and Menk, Incorporated

I. Call to Order

Mayor Stotko called the meeting to order at 5:00 p.m.

II. Wastewater Treatment Facility (WWTF) Alternatives

Mr. Jake Saulsbury, Bolton and Menk, Incorporated, stated that at the July 19, 2016 City Council Work Session, three options were presented to the City Council for moving forward with the WWTF project. The three options were:

Option 1 – Do nothing until the appeal process is complete.

Option 2 – Proceed with the construction as planned with the low bid from Di-Mar Construction.

Option 3 – Proceed with a modified construction contract

At this meeting the City Council wanted to proceed with Option 3. The Council also desired to complete as much of the project as possible and to move forward with a project as quickly as possible to deal with the maintenance and pond decommissioning issues at the WWTF. The tertiary treatment building, lift station and effluent forcemain portions of the project will be contingent upon the outcome of the current appeal.

Mr. Saulsbury stated that City staff recommendation is to award and move forward with the full project with alternates (\$6,819,606.15). The Notice of Award and contract would note that the items impacted by the appeal process (tertiary treatment building, lift station and effluent forcemain) would be contingent upon the appeal that has been commenced by Minnesota Center for Environmental Advocacy.

Mr. Tienter stated that the City has been in contact with the Minnesota Pollution Control Agency (MPCA) regarding the grant funding for the Phosphorus Reduction grant and they have communicated that at this point in time, they do not foresee any changes to that grant funding. Most of this funding would be used for the portions of the project subject to the appeal.

The City Council members discussed the project and what would occur if the City did not receive the Phosphorus Reduction grant monies.

Mr. Saulsbury stated that language would be included within the contract with the contractor stating that if the City does not receive the Phosphorus Reduction grant, the City will not proceed with the project items related to that grant.

Mr. Tienter stated that the City would be working with David Drown Associates for a bond issuance to fund the portion of the project that will move forward at this point in time. In the future, if the full project moves forward, another bond issuance may take place.

III. Recommended 2017 General Fund Budget

Mr. Tienter distributed information related to recommended operating budget changes over \$1,000 and the recommended Capital and Improvement Plan changes.

2017 Budget Process

Mr. Tienter reviewed a timetable regarding the Recommended 2017 Budget and Tax Levies as follows.

July	City staff prepare Proposed 2017 Budget.
August 2, 2016	City Council Work Session to review Recommended 2017 General Fund Budget and Preliminary General Fund and Debt Service Property Tax Levy.
August 16, 2016	City Council Work Session to review Recommended 2017 – 2021 Capital Equipment and Improvement Plans
September 6, 2016	Additional City Council Work Session to review Recommended 2017 General Fund Budget, if needed.
September 20, 2016	City Council certifies Preliminary 2017 General Fund and Debt Service Property Tax Levy.
October 4, 2016	City Council Work Session to review Recommended 2017 Airport, Cable, Sewer and Water Budgets.
October 18, 2016	Additional City Council Work Session to review Recommended 2017 Budget, if needed.
November 1, 2016	Additional City Council Work Session to review Recommended 2017 Budget, if needed.
November 15, 2016	City Council Work Session to review Recommended 2017 General Fund Budget, prior to Truth-in-Taxation Public Hearing.
December 6, 2016	City Council conducts Truth-in-Taxation Public Hearing.
December 20, 2016	City Council adopts Recommended 2017 Budget and certifies the Recommended 2017 General Fund and Debt Service Property Tax Levies.

General Fund Budget Assumptions and Considerations

Mr. Tienter reviewed information regarding 2017 General Fund Budget Assumptions and Considerations as follows.

- Conservative revenue and expenditure assumptions:
 - 8% cost increase in employee benefits;
 - Single step salary increase for each employee and 0.8% Recommended 2017 Compensation Plan increase;
 - Reallocation of current resources based on need and actuals history;
 - Budget adjusted to better reflect actual expenditures;
 - Limited adjustments to external revenues.
- Supports current compliment of Full–Time Equivalent (FTE) Employees
 - Includes budget assumptions for the current vacant position
- The Recommended 2017 General Fund Budget is structurally balanced.
- The Recommended 2017 General Fund Budget does not include:
 - Approved property tax abatements beginning in 2017;
 - An increase in Local Government Aid (LGA).

Five Year Budget Model

Mr. Tienter reviewed the following information related to the City’s five year budget model.

- Allows the City Council to better understand both the general condition of the City’s budget, but also to examine the impact of particular decisions on the financial position of the City.
- The model makes a variety of assumptions, including, but not limited to:

Recommended 2017 Budget Assumptions, Selected	
Revenues	Expenditures
0.00% Local Government Aid	1.00% Materials and Supplies
1.00% Fees, Fines and Permit Revenue	3.00% Employee Wages
2.00% Fire Department Per Unit Fee	8.00% Employee Benefits
2.00% General Property Tax Levy	

Significant Recommended 2017 Budget Changes

Mr. Tienter reviewed recommended operating budgets changes in 2017 as follow.

Recommended Operating Budget Changes Over \$1,000			
Department and Change	Expense	Other Revenue	Net City Cost
41300 Administration			
Elections	\$ (4,200)		\$ (4,200)
Performance Award	\$ 1,173		\$ 1,173
Tuition Reimbursement	\$ 2,000		\$ 2,000
41600 Legal Counsel			
Professional Services	\$ 2,000		\$ 2,000
41900 General Government			
Computer Supplies and Contract	\$ (5,500)		\$ (5,500)
Winsted Summer Festival	\$ 10,000	\$ 10,000	\$ -
CIP Transfer	\$ 42,323		\$ 42,323
Property Tax Levy		\$ 34,170	\$ (34,170)
Insurance Reimbursement		\$ 5,000	\$ (5,000)
Cable Fund Transfer		\$ (20,000)	\$ 20,000
Stormwater Utility Fee		\$ 11,880	\$ (11,880)
42000 Public Safety			
Computer Supplies and Contract	\$ (2,500)		\$ (2,500)
Legal Fees	\$ 2,500		\$ 2,500
Shift Differential	\$ 1,248		\$ 1,248
42200 Fire Protection			
Professional Services	\$ 1,980	\$ 30,443	\$ (28,463)
43000 Public Works			
Part-Time Snow Plowing	\$ 2,000		\$ 2,000
Storm Sewer Repairs and Maintenance	\$ 3,000		\$ 3,000
City Beautification	\$ 2,000		\$ 2,000
Tree Maintenance	\$ 12,500		\$ 12,500
45500 Libraries			
Library Operations	\$ 2,000		\$ 2,000

Mr. Tienter reviewed pie charts that displayed the Recommended 2017 General Fund Budget Revenues and Expenditures.

Fire Department per Unit Fee Reallocation

Mr. Tienter stated that the proposed Fire Department per Unit Fee Reallocation would:

- Return 25% of the Fire Department per Unit Fee to the unit owners or each of the next four years.
- Reallocate all realized revenue to the Streets Capital Improvement Plan (CIP) to offset projected capital budget shortfalls.
- Raise approximately \$448,593 of additional revenue by the end of the year 2021.

Year	Per Unit Fee	Percent Returned	Total Revenue
2017R	\$ 123.00	\$ 30.75	\$ 30,442.50
2018P	\$ 125.46	\$ 62.73	\$ 62,102.70
2019P	\$ 127.97	\$ 95.98	\$ 95,017.13
2020P	\$ 130.53	\$ 130.53	\$ 129,223.30
2021P	\$ 133.14	\$ 133.14	\$ 131,807.76

Establish a Storm Water Utility Fee

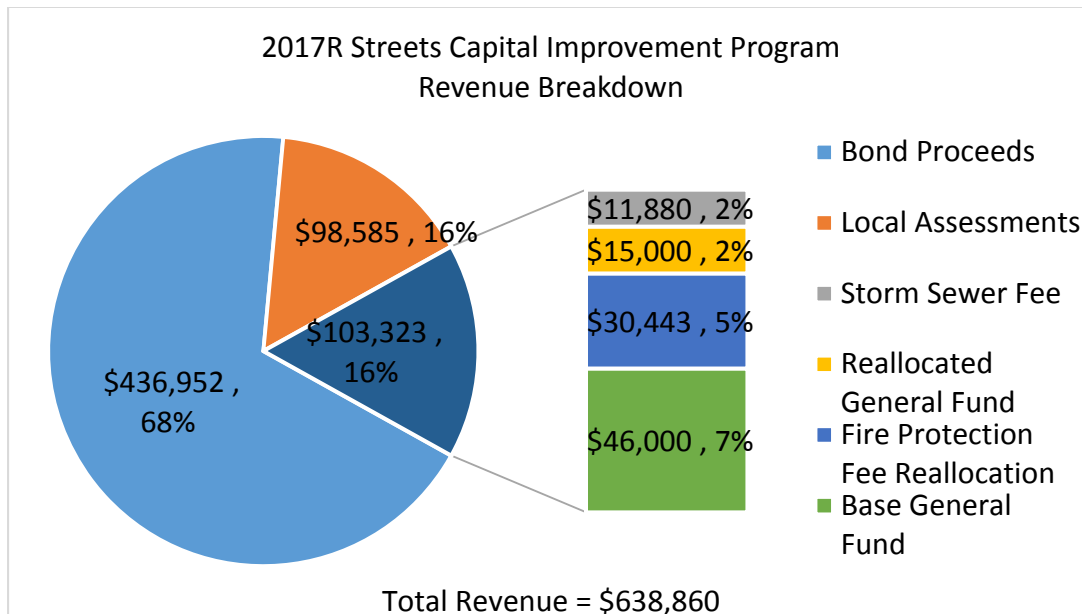
Mr. Tienter stated that establishing a Storm Water Utility fee:

- Is common practice to support maintenance and repair of storm sewer systems.
- Would reallocate all realized revenue to the Streets CIP to offset projected capital budget shortfalls.
- Would raise approximately \$60,600 of additional revenue by the end of 2021 Proposed (P).
 - When combined with the Fire Department per Unit Fee reallocation, these approaches raise approximately \$509,193 by the end of the year 2021.

Storm Sewer			
Year	Utility Fee	Total Revenue	
2017R	\$ 1.00	\$ 11,880.00	
2018P	\$ 1.01	\$ 11,998.80	
2019P	\$ 1.02	\$ 12,118.79	
2020P	\$ 1.03	\$ 12,239.98	
2021P	\$ 1.04	\$ 12,362.38	

2017 Recommended Streets Capital Improvement Plan

Mr. Tienter discussed information regarding the revenue percentages for the 2017 Recommended Streets CIP.



Mr. Tienter asked for comments or questions regarding the proposed fees to raise funds for the Streets CIP.

Mayor Stotko stated that he is against more fees and would rather have a property tax increase to raise funds, if the City decides to implement changes to raise funds for the Streets CIP. Mr. Tienter distributed information regarding the comparison of new fees versus a property tax increase.

The City Council members discussed the differences of how a fee versus a property tax increase would affect residents and businesses. The City Council members requested more specific information regarding a fee versus a property tax increase for different values of houses/property in Winsted.

The City Council members discussed not implementing a fee or a property tax increase to raise funds for the Streets CIP and instead using more bond funds to pay for the projects in the future.

The City Council members discussed extending street projects out and not completing them according to the City's Pavement Management Plan timeline. Mr. Saulsbury stated that there are areas of the city where there are significant utility issues under the streets; and because of this, delaying a streets improvement project may not save the City money. He approximated the age of some of the utility lines within the city at 60-70 years old.

Mr. Tienter displayed charts regarding Property Tax Capacity and Levy History for two different scenarios; a \$140,000 Residential Homestead that maintained a constant median value of \$140,000 over a seven year period; and an adjusted Net Tax Capacity home value over seven years as follow.

Property Tax History and Detail							
Year	Net Tax Capacity	Property Tax Levy	Net Tax Capacity Rate	Estimated Median Value Home	Net Property Tax	Net Property Tax Change (%)	Net Property Tax Change (\$)
Final 2011	\$ 1,342,505	\$ 1,117,629	83.25%	\$ 140,000	\$ 987	n/a	n/a
Final 2012	\$ 1,244,925	\$ 1,117,629	89.77%	\$ 140,000	\$ 1,065	7.84%	\$ 77
Final 2013	\$ 1,230,607	\$ 1,103,432	89.67%	\$ 140,000	\$ 1,063	-0.12%	\$ (1)
Final 2014	\$ 1,270,528	\$ 1,103,432	86.85%	\$ 140,000	\$ 1,030	-3.14%	\$ (33)
Final 2015	\$ 1,262,652	\$ 1,122,654	88.91%	\$ 140,000	\$ 1,055	2.38%	\$ 24
Final 2016	\$ 1,457,310	\$ 1,156,154	79.33%	\$ 140,000	\$ 941	-10.77%	\$ (114)
Prelim. 2017	\$ 1,655,606	\$ 1,214,024	73.33%	\$ 140,000	\$ 870	-7.57%	\$ (71)
Change							
2016 v. 2017	\$ 198,296	\$ 57,870	-6.01%	\$ -	\$ (71)	-13%	\$ (138)

Property Tax History and Detail							
Year	Net Tax Capacity	Property Tax Levy	Net Tax Capacity Rate	Estimated Median Value Home	Net Property Tax	Net Property Tax Change (%)	Net Property Tax Change (\$)
Final 2011	\$ 1,342,505	\$ 1,117,629	83.25%	\$ 127,500	\$ 874	n/a	n/a
Final 2012	\$ 1,244,925	\$ 1,117,629	89.77%	\$ 118,233	\$ 852	-2.54%	\$ (22)
Final 2013	\$ 1,230,607	\$ 1,103,432	89.67%	\$ 116,873	\$ 837	-1.68%	\$ (14)
Final 2014	\$ 1,270,528	\$ 1,103,432	86.85%	\$ 120,664	\$ 847	1.14%	\$ 10
Final 2015	\$ 1,262,652	\$ 1,122,654	88.91%	\$ 119,916	\$ 860	1.52%	\$ 13
Final 2016	\$ 1,457,310	\$ 1,156,154	79.33%	\$ 138,403	\$ 927	7.82%	\$ 67
Prelim. 2017	\$ 1,655,606	\$ 1,214,024	73.33%	\$ 157,236	\$ 1,007	8.66%	\$ 80
Change							
2016 v. 2017	\$ 198,296	\$ 57,870	-6.01%	\$ 18,833	\$ 80	6%	\$ 54

The City Council Members stated that they had run out of time for this Work Session and requested that a Special City Council Work Session be scheduled in the future to continue discussion regarding the 2017 Preliminary Levy.

IV. Other

a) On-Street Parking in Cul-De-Sacs

Mr. Tienter stated that the Planning Commission discussed on-street parking in cul-de-sacs at the request of a Winsted resident and recommended no change to City Code because it would create more regulations within the city and create more issues. Mr. Tienter stated that the resident that requested that the ordinance be amended was notified.

b) Drainage – 621 Northgate Circle

Mr. Tienter provided an update regarding the drainage concern at 621 Northgate Circle. He continued by stating that City staff needs to observe the area during a weather event. Mr. Tienter stated that Mr. Mills was been notified of the information and progress to date.

c) Refunding Economic Development Authority (EDA) Lease Revenue Bonds

Mr. Tienter stated that because of record low interest rates, the City would pursue refunding the EDA Lease Revenue Bonds to save money.

d) Regular City Council Meeting Agenda Amendments

Mr. Tienter stated that the agenda for tonight's Regular City Council meeting was amended to include the following amendments:

- To accept the report of the City Administrator regarding clean-up services related to the severe thunderstorm that occurred on August 4, 2016.
- To consider improvements to Denis M. Campbell Field.

V. Adjourn

Council Member Quast motioned to adjourn the meeting. Council Member Ollig seconded the motion. Motion carried 5-0.

The meeting was adjourned at 6:03 p.m.

Steve Stotko

Steve Stotko
Mayor
City of Winsted

ATTEST:

Raquel Kirchoff

Raquel Kirchoff, CMC
City Clerk-Treasurer
City of Winsted