

City of Winsted
City Council Work Session
Lewis Room
Tuesday, November 3, 2015
5:00 p.m.

Present: Mayor Steve Stotko
Council Member Bonita Quast
Council Member George Schulenberg
Council Member Max Fasching

Absent: Council Member Tom Ollig

Staff Present: Mr. Dan Tienter, City Administrator
Ms. Deborah R. Boelter, City Clerk-Treasurer

I. Call to Order

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

II. Year 2016 Budgets

Mr. Tienter presented a memo and supporting documents regarding the budgets for some of the City's other Funds. He gave an overview of the information found on the various documents.

Mr. Tienter stated that in addition to the year 2016 General Fund Budget, the City Council also reviews and determines operating and capital budgets for the other major and non. major City funds, including the Airport Fund, Cable Fund, Police and Public Works Capital Equipment Fund, Sewer Fund and Water Fund among others.

Mr. Tienter gave a brief overview of the budgets for the following Funds:

✓ **Airport Fund**

Mr. Tienter stated that City staff is recommending minor changes to the Winsted Municipal Airport Fund Budget, most notably a \$1,000 reduction in repairs and maintenance. Given the consistently positive budget variance during the past three (3) years, City staff is recommending this reduction to better reflect actual financial activity.

✓ **Cable Fund**

Mr. Tienter stated that City staff is recommending no changes for the Cable Fund Budget. He stated that staff will continue to monitor the Cable Fund Revenue Budget as revenues will increase due to franchise fees from the newly implemented TDS Telecom cable service in the City of Winsted.

✓ **Police and Public Works Departments Capital Equipment Program and Fund**

Mr. Tienter stated that using the previously adopted Capital Equipment Programs (CEP), City staff prepared a Recommended Year 2016 through Year 2020 Police and Public Works Department CEP. Presently, this CEP budgets \$137,400 of capital expenditures in the year 2016, which include:

- Replacement of the year 2010 Winsted Police Department's squad car.
- Replacement of the year 1999 and the year 2003 Public Works Department's pick-up trucks.
- Replacement and purchase of Winsted Police Department equipment.

Mr. Tienter presented the Capital Equipment Program (CEP) documents that he has prepared.

Mr. Tienter stated that while not included in the Recommended Year 2016 through the Year 2020 CEP, City staff will also identify an amount for a Public Works Department set. aside account similar to the one proposed for the Winsted Police Department.

Mr. Tienter stated that moving forward City staff will prepare CEP documents for all the City of Winsted's capital departments.

✓ **Sewer Fund**

Mr. Tienter referenced the document titled, *Recommended Budget Changes Over \$1,000* and gave an overview of the proposed changes to the year 2016 Water Fund Budget.

Mr. Tienter stated given the pending Waste Water Treatment Facility (WWTF) Improvements Project, City staff is recommending a 6.00% general increase in the sewer minimum fee and sewer rates fee in the year 2016. City staff is recommending a 6.00% increase to maintain the current budgeted level of contribution to the fund balance of the Sewer Fund, which is approximately \$73,085.

Mr. Tienter stated that although greater annual increases in sewer sales fees will be required, the delay in the project permitting allows the City to delay such increases until at least the next year. However, after consulting with the City's Financial Advisory, City staff recommends the 6.00% increase to maintain a significant, annual contribution to fund balance. The increase in fund balance will provide greater capital reserves, which may be used to finance the WWTF Improvement Project, and slightly reduce future rate increases needed to finance debt service for the improvements to the WWTF. Due to some permitting delays, the WWTF Improvement Project may not move forward. Based on the City's Financial Advisor advice, staff determined it would be appropriate for the City to wait on increasing them until the project commences.

Mayor Stotko asked whether the City would lose any grant money as a result of the delay.

Mr. Tienter stated they would not. The City Engineer has been working closing with the MPCA to ensure that the grant money will not be jeopardized and no deadlines are violated. At the current time the MPCA is aware of the situation and that the permitting requirements are beyond the City's control.

Mr. Tienter stated that it is important to note that the recommended year 2016 increase of 6.00% is 2.00% lower than the adopted year 2015 increase of 8.00%. The 6.00% increase will allow the City to maintain some reserves until the project is commenced. The amount of the grant received was \$2.5 million.

The City Council discussed whether the increase should be 8.00% rather than the 6.00% increase. Mr. Tienter noted the City already has some reserves to pay for a portion of the WWTF Improvement Project and that the 6.00% was proposed by staff due to the 3.89% property tax levy increase.

City Clerk Boelter reviewed the sewer minimum and rate from the 2013, 2014 and 2015 Fee Schedules and stated that increases were made on the advice of the auditor.

Mr. Tienter stated that future increases would be dependent upon the bond rate received by the City for the project. Mr. Tienter noted another budget work session is scheduled for November 17, 2015, and that he will have the information on future increases at that time for Council review.

✓ **Water Fund**

Mr. Tienter stated consistent with previous years, City staff recommends a 2.00% increase in both water minimum and water rate in the year 2016. This increase will reduce the expected reduction in water sales revenue due to decreasing usage. At present, City staff estimate water sales at approximately 55,000,000 gallons, or 4,000,000 gallons less than previous years.

Additionally, given growing repairs and maintenance needs and a traditionally under budgeted line item, City staff recommends an increase of \$10,000. However, despite this increase and a reduction in water sales revenues, City staff estimate a \$7,532 contribution to fund balance.

Mr. Tienter stated when discussing the anticipated costs for the water tower project with the City's Financial Advisor, it was felt that a 2.00% increase would be appropriate based on the amount of money that is currently in the Water Fund.

✓ **Capital Improvement Plan**

Mr. Tienter stated during development of the budget and the Fire CIP, staff felt there was a better way to display the future capital expenditures of the City. The document reflects a five year planning window versus a ten year window. Mr. Tienter stated the document includes a description of the project, anticipated costs, the possible financing sources, and City costs, which is money that may be needed in addition to what has already been identified. The second page of the document includes summaries of the expenditures and revenues along with any anticipated shortfalls.

Mr. Tienter stated the capital budget worksheets capture a lot of the information that was included in previous Capital Improvement Plans along with the impact on operating and maintenance costs to ensure they are appropriately adjusted.

The City Council reviewed the preliminary Capital Improvement Plan and directed staff to continue to incorporate the different capital budgets of the City into the CIP. Mr. Tienter noted the CIP is merely a plan and does not bind the Council to go forward with any of the equipment purchases. Mr. Tienter stated as part of the capital budget process, the CIP would be reviewed by the City Council to determine what changes need to be made to the plan.

✓ **Next Steps**

Using guidance provided by the Council during the Work Session, City staff will further refine budget estimates and figures. The next 2016 Budget City Council Work Session is scheduled for November 17.

During the November 17 City Council Work Session, City staff will review budget information pertaining to: Airport Capital Improvement Plan (CIP), Facilities CIP, Winsted Volunteer Fire Department Capital Equipment and Improvement Plan (CEIP), Winsted Volunteer Fire Department operations, Parks CIP, Streets CIP and Trail CIP. Additionally, City staff will seek guidance regarding Recommended 2016 General Fund Budget changes and requests.

III. Other

a) **Standard and Poor's – Bond Rating**

Mr. Tienter gave a brief overview of the rating results from Standard and Poor's determination of the City's bond rating. Mr. Tienter stated Standard and Poor's has assigned the City an A stable grade, which is down from an A-plus grade. Mr. Tienter stated what that means for the City is that in the event the City were to bond for additional funds, the interest rate would be slightly higher.

Mr. Tienter noted the A stable grade is still a very good rating and is considered to be in the investor grade category. The reasons noted in the report for the downgrade are the fact that the City is anticipating a high level of debt service, which is attributable to the WWTF improvement project; and that there is a highly concentrated tax base, meaning that 10 percent of the taxpayers constitute 31% of the City's tax capacity. Other concerns raised in the report include the lack of a long-term financial plan and a debt management policy.

Staff is planning on meeting with the City's Financial Advisor to discuss the report and commence preliminary work on a long-term financial plan and debt management policy.

Mr. Tienter stated the report also mentioned that the City has very strong liquidity and a lot of budget flexibility to service debt. The City's creditors will be notified of the rating change, which is required by Federal law.

b) Wastewater Treatment Facility Improvement Project

Mr. Tienter reported the City received a letter from Dimar regarding the WWTF improvement project indicating they are willing to extend their bid through the end of the year.

c) Northgate Storm Sewer Drainage

Mr. Tienter noted Staff also received a memo from Bolton & Menk, Incorporated indicating their costs would be approximately \$35,000 if the City elected to move forward on this project.

d) Denis M. Campbell Baseball Field – Architectural Drawings for New Dugout

Mr. Tienter reported the City received the revised architectural drawings for the Campbell Field project. Once the revised project costs are received, Staff will be meeting with the Baseball Association to get their input on the revisions. Following that meeting, Staff will bring this item back before the City Council.

e) Winsted Farmers Elevator

Mr. Tienter stated as required by the letter sent by the City to the property owner, the property owner was to provide some documentation reflecting the elevator is now secure. That documentation has not been received. As a result, in the next couple of days staff will notify the winning bidder that they can go ahead and secure the premises.

f) City Storage Room

Mr. Tienter reported staff is going ahead with obtaining some bids for renovation of the city storage room. Once those bids are received, this item will be brought back before the Council.

IV. Adjourn

Council Member Fasching motioned to adjourn the meeting. Council Member Schulenberg seconded the motion. Motion carried 4-0.

The meeting was adjourned at 5:57 p.m.

Steve Stotko

Steve Stotko
Mayor
City of Winsted

ATTEST:

Deborah R. Boelter

Deborah R. Boelter, CMC
City Clerk-Treasurer
City of Winsted