

City of Winsted
City Council Work Session
Lewis Room
Tuesday, November 17, 2015
4:00 p.m.

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

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 4:05 p.m.

II. Year 2016 Budget

Mr. Tienter gave an overview of the year 2016 Budget items to be presented and discussed at tonight's Work Session:

- ✓ The recommended year 2016 budget process.
- ✓ The recommended year 2016 Capital Budget review.
 - New format for documenting the Capital Equipment and/or Improvement Plans.
 - Budget changes.
- ✓ The recommended year 2016 Water and Sewer Budgets.
- ✓ The recommended year 2016 General Fund Budget.
- ✓ Discussion in regards to the budget changes.

Mr. Tienter distributed a document detailing the *Recommended Year 2016 Budget Summary*.

Mr. Tienter noted the Council started the 2016 budget process on August 15, 2015 with the preliminary property tax levy being certified September 25, 2015. At the last Work Session the Council reviewed some of the specific City funds, including the Water and Sewer Funds.

Mr. Tienter presented information on the year 2016 Capital Budget expenditures and revenues.

Mr. Tienter distributed copies of the proposed Capital Equipment and/or Improvement Plans for the following and reviewed the purchases identified in each Plan:

- ❖ Winsted Volunteer Fire Department's Capital Equipment and Improvement Plan (CEIP).
- ❖ Sidewalk and Trail System Capital Improvement Program (CIP).
- ❖ Facilities CIP.
- ❖ Park System CIP.
Mr. Tienter stated that an increase in funding has been included annually in anticipation of the park improvements identified by the City's Park Commission as they currently work on developing a *Park Master Plan*.
- ❖ Streets CIP.

Mr. Tienter stated the *Streets CIP* was established by referencing the *Pavement Management Plan* for the City of Winsted that was developed by the City's Engineering Firm, Bolton and Menk, Incorporated.

Mr. Tienter noted the large increase in the Streets Budget is directly attributable to the \$1.4 million Kingsley Street Area Improvement project. There is also a large increase in the Fire Department's budget, which is related to adding the capital improvement expenditures for that department. Mr. Tienter stated if the proposed budgets for fire and streets are removed, the overall budget is in line with what the City Council approved last year.

Mr. Tienter stated the projected revenues for the Fire Department do not quite meet the expected expenditure levels and that it will be necessary to use some of the department's fund reserves to offset a portion of the capital improvement and equipment expenditures.

The Fire Department is proposing three items be purchased in 2016: replacement of a ladder truck at \$450,000, the purchase of a new generator, and the purchase of some turnout gear. Under the gifts and contributions section, it is anticipated the Fire Relief Association will be making a \$50,000 contribution to the Capital Improvement and Equipment Fund as in years past. The turnout gear will be purchased with that money.

The Winsted Volunteer Fire Department's CEIP has a revenue summary, which shows revenues increasing over time. The recommendation from the Fire Board is to increase the per unit cost by 5% every year to finance future capital purchases.

As it relates to the estimated amortization schedule, that is anticipating the City will need to borrow approximately \$44,000 in 2018 if they proceed with the plan as presented. It is assumed that amount will be paid off in five years at a 5% interest rate.

Mr. Tienter stated the *Sidewalk and Trails Capital Improvement Program* lists \$2,500 being allocated to repair sidewalks and \$2,500 being set aside for trail improvements, with other funds likely coming from matching grants. No specific trail project has been identified for 2016. The plan also identifies a transfer of \$1,000 each year from the General Fund to help with the costs of any projects.

As it relates to the *Facilities Capital Improvement Plan* for 2016, money has been set aside to replace office furniture/equipment or other items that may come up and \$10,000 for security enhancements. This amount was set aside in response to Council direction for City staff to examine security improvements for City Hall and no specific projects have been identified at this time.

The *Parks System Master Plan* identifies the same three projects every year. The other contribution listed is the Winsted Baseball Association's contribution for the Campbell Field improvements. The plan also includes a set aside amount for deferred park maintenance and \$10,000 to support any projects that may be identified by the Park Commission. Mr. Tienter noted no funds would be spent unless approved by the City Council. The primary source of funding for the Park Fund would be the Park Improvement Fee. The plan assumes a 5% increase in that fee each year.

Mr. Tienter stated the *Streets Capital Improvement Plan* was established by referencing the *Pavement Management Plan*, which was approved by the City Council. The Kingsley Street Area Improvements project is listed for 2016, with the different funding sources. The plan does anticipate the use of local assessments as a financing tool. Starting in 2017, the City will have a negative fund balance based on anticipated revenues and expenditures for all the upcoming street projects and the remaining amount will need to be bonded for.

Mr. Tienter distributed a document titled *Recommended Year 2016 Operating Budget Changes Over \$1,000*. Any budgeted amount over \$1,000 has to be reviewed and approved by the City Council.

Mr. Tienter presented the year 2016 Sewer Fund Budget assumptions and considerations for the City Council to review and discuss. There is a recommended 6% increase in the sewer fee. The fee is based on a 1,000 gallon basis.

Mr. Tienter presented the *Sewer Rate Analysis* that the City Council directed City staff to obtain at their November 3, 2015, Work Session from the City's Financial Advisor, Mr. Shannon Sweeney of David Drown Associates. In 2016, there would be a 6% increase in the sewer fees. Each year after that there would be an 11.5% increase in the sewer fees to service the debt. The goal with the 6% increase is to maintain the existing revenues in the Sewer Fund.

Mr. Tienter gave a brief overview of the reason that the Wastewater Treatment Facility (WWTF) Improvement Project has been delayed. He continued by giving an update on what extensions the Minnesota Pollution Control Agency (MPCA) has given the City in regards to the decommissioning of the ponds and the Contractor has given the City in regards to their bid on the Improvement Project. The City did receive a \$2.5 million grant for the required upgrades to the WWTF but will need to bond \$4 million for the project.

The City Council discussed and agreed to increase the proposed sewer rates by 11.50% in the year 2016. The City Council indicated they would like to review the rates annually.

Mr. Tienter presented the year 2016 Water Fund Budget assumptions and considerations for the City Council to review and discuss. The City did experience a decrease in usage in 2015 by four million gallons and is likely due to a wetter than normal spring and summer.

The City Council discussed and agreed to increase the proposed water rates by 2% in the year 2016.

Mr. Tienter presented the year 2016 General Fund Budget assumptions and considerations for the City Council to review and discuss.

Mr. Tienter stated the conservative year 2016 General Fund Budget revenue and expenditure assumptions include:

- ✓ A 4.46% increase in health insurance premiums.
- ✓ A 9.72% decrease in dental insurance premiums.
- ✓ A single step salary increase for each employee.
- ✓ Anticipates City Council needs with regard to the newly completed *Compensation Plan*.
- ✓ Reallocation of current resources based on needs and actuals history.
- ✓ Budget is structurally balanced.
- ✓ No property tax abatements beginning in 2017.
- ✓ No increase in General Fund transfers for Capital Improvements.

Mr. Tienter distributed a list of the more significant budget changes for 2016. Mr. Tienter stated some of the changes include the deputy city clerk position, the elections, an increase in the engineering budget, Compensation Plan implementation, Local Government Aid, and an annexation fee.

The City Council requested Staff provide a copy of the newly completed Compensation Plan.

The City Council discussed the deputy city clerk position. Mr. Tienter indicated Staff has prepared a realignment of duties for the deputy city clerk position. Currently not all job tasks are being completed in a timely manner due to the additional growth experienced in the City over the

past few years and increased City projects. Mr. Tienter indicated the additional staff person would also allow Staff to update City ordinances and regulations and achieve a higher level of job duty segregation as it relates to financial items.

The City Council requested Staff look into the possibility of increasing hours for the current part-time employees.

Council Member Quast asked why the City decreases its contribution to the employees health insurance but then increases its contribution to Health Savings Accounts (HSA).

Mr. Tienter stated the deductibles for the Blue Cross/Blue Shield are the same as the plan that was approved last year, and by switching to Blue Cross/Blue Shield, the City's cost has gone down slightly. As it relates to the HSA contributions, the City contributes 50% of the employee's health insurance plan annual deductible and the employee has the option to contribute additional monies to their individual HSA. In addition, Staff contacted a number of cities to see what their contributions were and Winsted is consistent with those cities.

Council Member Fasching stated the City will need to determine whether some of the current benefits being given to the employees are sustainable going into the future.

Mr. Tienter presented a report on the proposed property tax levies for the surrounding cities. The average increase is 5.2% while the City of Winsted's levy is increasing by 3.9%. Mr. Tienter indicated he will speak more about the tax levy at the December 1, 2015 City Council Work Session.

III. Other

a) Accessory Structures

Council Member Fasching reported in the last week he has received calls from two Planning Commissioners that have expressed concerns about the proposed accessory structure ordinance and that they indicated they were not satisfied with the language and that they would likely vote differently on it.

Mr. Tienter stated that item the Planning Commission discussed the subject and felt if the City is interested in regulating building materials for accessory structures that are over 120 feet but less than 200 square feet, the City would need to draft a building code for those structures since the state building code would not apply.

Council Member Fasching stated part of the concern is related to the aesthetics of buildings less than 200 square feet.

Mr. Tienter stated the structure would need to be of same or similar color as the residence.

The City Council requested that the item be sent back to the Planning Commission for further review.

IV. Adjourn

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

The meeting was adjourned at 6:00 p.m.

Steve Stotko

Steve Stotko
Mayor
City of Winsted

ATTEST:

Deborah R. Boelter

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