

City of Winsted  
City Council Work Session  
Lewis Room  
Tuesday, November 18, 2014  
5:00 p.m.

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

Staff Present: Mr. Clay Wilfahrt, 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. Grass Lake Road Property Utilities**

Mr. Wilfahrt stated that the City Council has discussed water and sewer services to Grass Lake Road on a number of occasions. At the November 5<sup>th</sup>, 2014 Work Session, the City Council agreed to have staff move forward by drafting an agreement that would have the City pay for the costs of the street reparations and the property owners pay for the rest of the costs.

Mr. Wilfahrt stated that the City had an opportunity to run the water and sewer services when the Westgate Housing Development improvements were being made. The property owners approached City staff requesting the connection to the City's water and sewer services; however, the request was not formally considered by the City Council. Because of this fact, the City Council is willing to pay for the cost of the street reparations and give the property owner the same financial deal they would have had at the time the Westgate improvements were being done.

Mr. Wilfahrt stated that an Agreement between the City of Winsted and the property owners, Mr. Larry and Ms. Tammy Vealetzek, 24182 Grass Lake Road, has been drafted by the City Attorney; but, the proposed Agreement does not include that the property owner pay \$22,000 plus the cost of obtaining an easement to run water and sewer to their property. Any additional costs would be incurred by the City of Winsted.

Mr. Wilfahrt stated that the proposed Agreement states that the City will approve the water and sewer connection contingent on the City receiving a Building Permit application and construction of a new house begins on the empty lot being sold by Mr. and Ms. Vealetzek.

Mr. Wilfahrt presented a copy of the draft Agreement. He continued by stating that the proposed Agreement is being updated and will be shared with Mr. and Ms. Vealetzek. Once the terms of the Agreement are reviewed by Mr. and Ms. Vealetzek, it will be presented to the City Council at a future meeting for discussion and approval. Approval of an easement will also be presented at the same time as the proposed Agreement.

Mr. Wilfahrt stated that approval of the proposed Agreement at a future City Council meeting falls in line with the timeline of the project; because, the property owner will need to secure an easement from an adjacent property owner. This process is a few weeks from completion.

Ms. Tammy Vealetzek, the property owner, was in attendance at the City Council Work Session.

Mr. Charlie Remer, the purchaser of the empty lot for sale by Mr. and Ms. Vealetzek was also in attendance at the City Council Work Session.

The City Council discussed and directed Mr. Wilfahrt to proceed with the terms of the Agreement as presented and amended.

**III. Year 2015 Budget Update**

Mr. Wilfahrt stated that at a previous City Council Work Session, City staff shared some information with the City Council regarding the City's tax levy. The City of Winsted received updated tax rate information from the McLeod County Auditor. The data shows that the year 2015 Preliminary Levy set by the City of Winsted results in an increase in the City's tax rate of 3.45%.

Mr. Wilfahrt stated that the tax levy and the tax rate are both used to calculate taxes; but, they are calculated differently. The tax levy is the amount of money that the City collects in property taxes to fund the operations of the local government. The tax rate is the levy divided by the Net Tax Capacity, or the weighted property values for the community. The two (2) things that generally impact the tax rate are changes in the levy, or changes in the Net Tax Capacity.

Mr. Wilfahrt presented information on the effect on residential and commercial properties of the 1.7% tax levy increase approved by the City Council in the year 2015 Preliminary Levy:

<b>Residential Property Taxes</b>					
Property Value	Taxable Market Value	Tax Capacity	Year 2014 City Tax	Year 2015 City Tax	Difference
\$76,000	\$45,600	\$456.00	\$ 390.61	\$ 404.84	\$ 14.23
\$150,000	\$126,260	\$1,262.60	\$ 1,081.54	\$ 1,120.94	\$ 39.39
\$250,000	\$235,260	\$2,352.60	\$ 2,015.24	\$ 2,088.64	\$ 73.40
\$350,000	\$344,260	\$3,442.60	\$ 2,948.93	\$ 3,056.34	\$ 107.41

<b>Commercial Property Taxes</b>					
Property Value	Taxable Market Value	Tax Capacity	Year 2014 City Tax	Year 2015 City Tax	Difference
\$100,000	\$100,000	\$1,500.00	\$ 1,284.90	\$ 1,331.70	\$ 46.80
\$250,000	\$250,000	\$4,250.00	\$ 3,640.55	\$ 3,773.15	\$ 132.60
\$500,000	\$500,000	\$9,250.00	\$ 7,923.55	\$ 8,212.15	\$ 288.60
\$1,000,000	\$1,000,000	\$19,250.00	\$ 16,489.55	\$ 17,090.15	\$ 600.60
\$2,500,000	\$2,500,000	\$49,250.00	\$ 42,187.55	\$ 43,724.15	\$ 1,536.60
\$5,000,000	\$5,000,000	\$99,250.00	\$ 85,017.55	\$ 88,114.15	\$ 3,096.60

Mr. Wilfahrt stated that he recently received additional options for employee health insurance benefits; which, came in significantly lower than originally projected. The City will be able to continue to provide the same level of health insurance to the employees and there will be a reduction in the amount initially budgeted for health insurance by \$9,834. That would mean that the total Levy would increase from \$1,103,432 to \$1,112,820 from the year 2014 to the year 2015. This would be an increase of \$9,388, or 0.85%. In order to keep the Levy increase at zero percent (0%), \$9,388 would need to be eliminated from the General Fund Budget. This would still result in a slight tax rate increase from 0.8566% to 0.88%.

Mr. Wilfahrt presented a chart detailing what type of impact the slight tax rate increase would have on different residential and commercial properties:

<b>Residential Property Taxes</b>					
Property Value	Taxable Market Value	Tax Capacity	Year 2014 City Tax	Year 2015 City Tax	Difference
\$76,000	\$45,600	\$456.00	\$ 390.61	\$ 401.28	\$ 10.67
\$150,000	\$126,260	\$1,262.60	\$ 1,081.54	\$ 1,111.09	\$ 29.54
\$250,000	\$235,260	\$2,352.60	\$ 2,015.24	\$ 2,070.29	\$ 55.05
\$350,000	\$344,260	\$3,442.60	\$ 2,948.93	\$ 3,029.49	\$ 80.56

Commercial Property Taxes					
Property Value	Taxable Market Value	Tax Capacity	Year 2014 City Tax	Year 2015 City Tax	Difference
\$100,000	\$100,000	\$1,500.00	\$ 1,284.90	\$ 1,320.00	\$ 35.10
\$250,000	\$250,000	\$4,250.00	\$ 3,640.55	\$ 3,740.00	\$ 99.45
\$500,000	\$500,000	\$9,250.00	\$ 7,923.55	\$ 8,140.00	\$ 216.45
\$1,000,000	\$1,000,000	\$19,250.00	\$ 16,489.55	\$ 16,940.00	\$ 450.45
\$2,500,000	\$2,500,000	\$49,250.00	\$ 42,187.55	\$ 43,340.00	\$ 1,152.45
\$5,000,000	\$5,000,000	\$99,250.00	\$ 85,017.55	\$ 87,340.00	\$ 2,322.45

Mr. Wilfahrt asked the City Council to bear in mind that since the taxable value of properties in Winsted decreased by about 2.5%, individual properties on average decreased by 2.5% in value in the past year. That means that *on average* a property valued at \$100,000 will now be valued at \$97,500; so, even though there is still a tax rate increase, it is less than what is stated above.

Mr. Wilfahrt stated that in order to get the tax rate to zero (0), the City would need to reduce the General Fund Budget by \$29,621.

Mr. Wilfahrt presented the City Council with the following options to consider:

1. The City Council could keep the General Fund Budget at its year 2015 Preliminary Levy amount and put the \$9,834 in reduced employee health insurance costs into the Capital Improvement Fund. According to the Bureau of Labor Statistics, the Consumer Price Index increased by 1.7% from September, 2013 to September, 2014. Therefore, this option would keep the Levy increase at 1.7% or zero percent (0%) when adjusted for inflation.
2. The second (2<sup>nd</sup>) option would be to reduce the total year 2015 Preliminary Levy to \$1,112,820 to correspond to the reduction in health insurance costs, and to maintain the levels of service that are currently being provided. Again, this would be a .8% year over year levy increase. That means that if the City increases its General Fund Budget by .8%, it is actually a reduction of .9% adjusted for inflation.
3. The City Council could reduce the City's year 2015 Preliminary Levy to have a zero percent (0%) tax levy increase and reduce the overall General Fund Budget by the \$9,834 savings in health insurance premium plus an additional \$9,388. This would require City staff to cut existing funding or money allocated to new projects such as the Downtown Revitalization Program.
4. The City Council could elect to reduce the General Fund Budget to have a zero percent (0%) tax rate increase. To do this, the City Council would have to reduce the General Fund Budget by the \$9,834 savings in health insurance premiums, and an additional \$29,621. This would require staff to cut existing funding and would be a Levy reduction of 1.83% or 3.53% adjusted for inflation.

Mr. Wilfahrt stated that looking forward to the year 2016 budgeting, there will be some large values added to the City's Net Tax Capacity in the year 2016 that will help equalize the next budget cycle. The Job Opportunity Building Zone (JOBZ) Program is sunsetting in the year 2015 and will add about five percent (5%) to the City's year 2016 Net Tax Capacity. Additionally, construction of the Dollar General Store and the addition to Drill Pipe Manufacturing will add significant tax base.

Mr. Wilfahrt stated that City Staff would recommend leaving the General Fund Budget and year 2015 Preliminary Levy at a 1.7% increase. The increase will allow the City of Winsted to continue to provide high-level services to the residents. The increase is also consistent with the pace of inflation.

Mr. Wilfahrt distributed the year 2015 General Fund Budget Narrative – First (1<sup>st</sup>) Draft report dated August 5, 2014.

The City Council discussed and directed Mr. Wilfahrt to continue with the 1.7% increase that was approved in the year 2015 Preliminary Levy for the year 2015 General Fund Budget and Final Levy.

Mr. Wilfahrt presented the initial draft of the year 2015 Water Fund Budget. Mr. Wilfahrt stated that the proposed Water Fund Budget currently includes a recommended two percent (2%) increase in water rates. Staff is recommending a small increase to water rates to allow for a larger increase in sewer rates to pay for future projects.

Proposed Rates:

	Approved Year 2014	Proposed Year 2015
Water Minimum	\$ 5.75	<b>\$ 5.87</b>
Sales per 1,000 Gallons	\$ 3.18	<b>\$ 3.24</b>
Minnesota State Test Fee	\$ 0.60	<b>\$ 0.60</b>
Repair and/or Maintenance Fee	\$ 2.00 per connection	<b>\$ 2.00 per connection</b>

Mr. Wilfahrt presented the initial draft of the 2015 Sewer Fund Budget. Mr. Wilfahrt stated that the proposed Sewer Fund Budget currently includes a recommended eight percent (8%) increase in sewer rates. The City Council voted in the year 2014 Budget to increase sewer rates by eight percent (8%) which was an increase from the typical five percent (5%) to build the Sewer Fund reserves for future capital investments. Staff has the eight percent (8%) increase in place, knowing that the decision of the City Council regarding improvements to the Wastewater Treatment Facility (WWTF) has the potential to impact rates significantly.

Proposed Rates:

	Approved Year 2014	Proposed Year 2015
Sewer Minimum	\$ 6.67	<b>\$ 7.20</b>
Sales per 1,000 Gallons	\$ 8.43	<b>\$ 9.10</b>

Mr. Wilfahrt gave a brief overview of the year 2015 *Water Fund, Sewer Fund and Winsted Municipal Airport Fund Budget Narratives – First (1<sup>st</sup>) Draft* report dated November 18, 2014.

Mr. Wilfahrt presented the narrative for the proposed year 2015 Winsted Municipal Airport Fund Budget. Mr. Wilfahrt stated that revenues are anticipated to be \$79,230 and expenditures are budgeted at \$78,504 for a surplus of \$726.

Mr. Wilfahrt stated that there are several minor changes in the proposed Airport Fund Budget expenditures and include increases in wages, contributions to the Public Employee Retirement Association (PERA), and Federal Insurance Contributions Act (FICA) taxes.

The City Council discussed and directed Mr. Wilfahrt to proceed with the proposed year 2015 Water Fund, Sewer Fund and Winsted Municipal Airport Fund Budgets as presented.

#### **IV. Kingsley Street Feasibility Study**

The City Engineer, Mr. Jake Saulsbury, Bolton and Menk, Incorporated, presented the Kingsley Street Feasibility Study.

Mr. Wilfahrt distributed a copy of the Kingsley Street Feasibility Study to each City Council member.

The City Council discussed the proposed improvements to Kingsley Street and directed Mr. Wilfahrt to include discussions of the Study at future City Council Work Sessions.

#### **V. Other**

##### **a) Federal Aviation Administration (FAA) Meeting – Paving of Winsted Municipal Airport Runway**

Mr. Wilfahrt gave an update on the meeting he and the City Airport Engineer, Mr. Ron Roetzel, Bolton and Menk, Incorporated, had with the FAA regarding the paving of the Winsted Municipal Airport runway.

#### **VI. Adjourn**

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

The meeting was adjourned at 5:58 p.m.

*Steve Stotka*

Steve Stotka  
Mayor  
City of Winsted

ATTEST:

*Deborah R. Boelter*

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