

**APPROVED MINUTES
CITY COUNCIL
WORK SESSION MEETING
CITY OF WYOMING, MINNESOTA
JULY 25, 2018
6:00 PM**

CALL TO ORDER:

Mayor Lisa Iverson called the Work Session Meeting of the Wyoming City Council for July 25, 2018 to order at 6:00pm

CALL OF ROLL:

On a Call of the Roll the following members of the Wyoming City Council were present: Councilmembers Lisa Iverson, Linda Nanko/Yeager, Claire Luger, Joe Zerwas and Don Waller

ABSENT: NONE

Also Present: Robb Linwood, City Administrator, Paul Hoppe, Public Safety Director, Fred Weck, Building Official/Zoning Administrator, Marty Powers, Public Works Superintendent, Diane Krinkie, Deputy Clerk, Jean McGann, President AEM Financial Solutions

DETERMINATION OF A QUORUM:

Mayor Iverson determined a Quorum was present.

1. 2019 Draft Budget Discussion –

City Administrator Linwood – explained the Council received a preliminary draft of the 2019 Budget. He would like to review the draft budget and answer any questions from council. Mr. Linwood introduced Jean McGann, President of AEM Financial Solutions she will present portions of the budget and answer questions.

Mr. Linwood reviewed the key items in this year's budget.

- Overall City general fund levy increase is 6.41 percent and overall city-wide increase of \$253,865.
- Estimated 2019 LGA increased to \$238,739.
- Added a full-time Utility Billing Clerk/Administrative Assistant
- Added an additional full-time Building Inspector
- Allocated various public works expense items among the parks, water, sewer and storm water funds.
- Identified state items that include: PERA Increases, beginning January 1, 2018, there will be a two-year phase in of a 1% PERA increase in member contributions and a 1.5% increase in employer contributions. This results in the Police & Fire PERA employee contribution increasing from 16.2% in 2018 to 16.95% in 2019. There will be an additional increase in 2020 resulting in the employer contribution moving to 17.7%.

The tax levy includes levies for general operations, city infrastructure and debt services. The City will use LGA to fund some of the 2019 Capital Equipment purchases as a one-time purchase.

On July 24th Mr. Linwood met with the Chisago County Administrator and North Branch City Administrator Renae Fry to discuss the city's computer costs. Originally it was identified that the 2018 budget number for our computer costs for the ProPhoenix system was \$22,525. The County sent down an increase of 344% increasing the cost to \$65,450. Upon review of the document, we declined the increase and anticipate the amount of \$22,525 will stay the same for 2019. During the months of August and September a technical group will be formed to review the document and allow us to verify the cost for the system and identify a fair and more equitable rate moving forward. Based on the agreement, there cannot be an increase unless all parties agree.

2. Levy/Tax Capacity/Tax Rate Discussion

Jean McGann, President AEM Financial Solutions explained that property taxes are primarily levied on a measure called net tax capacity. This is the taxable market value of a property multiplied by its class rate. The County Assessor values the property and also classifies property, thereby determining the class rates that will generate net tax capacity. As the tax capacity of the city increases, the valuation increases and is converted into a tax capacity number. The preliminary numbers for the city show a total tax capacity that has increased almost \$800,000. If the tax rate itself, was kept at a flat rate, on an average home the tax rate itself would go down almost 4 ½%. It is important as you go through and look at the overall needs of the city, that some of the focus gets placed on what the overall tax rate will be.

Councilmember Waller - questioned that the tax capacity went up by \$795,000 and asked if it was due the evaluation of real-estate or abatements.

Ms. McGann explained it would be overall evaluations that went up as well as any additional properties that were added to the tax rolls which could include: new home builds; additional businesses cause the tax capacity to increase. The tax capacity numbers at this point will be modified and that information will be available mid to late August.

Administrator Linwood stated another item for discussion is that the city received preliminary numbers for water and sewer rates. Currently the sewer fund is very healthy. Currently we do have our rehab for our water tower in our existing tax levy. He explained he would like to have discussion with the council to do it all at once or do a transfer from the sewer account as a one-time transfer to the water account to pay for the rehabilitation of the water tower.

Councilmember Waller asked how short the water fund is.

Administrator Linwood explained the water fund cash flowed last year and the sewer fund is healthy. As we look at our rates we won't have to adjust our sewer rates by much however, there may be some adjustment need on the water rates. With a healthy sewer account, it would be an opportunity to make a transfer from that account and use those funds to rehabilitate the water tower and not use tax levy dollars. This would be a transfer of funds from the sewer to the water fund. The city would do this by a resolution in 2019 for \$150,000 and another resolution in 2020 for \$150,000.

Mayor Iverson asked if staff needed direction from council on this item.

Administrator Linwood explained that it would impact the budget because the water tower is in the tax levy. He explained prior to the next budget draft the funds could be moved and the council could look at the methodology of using the transfer from the sewer fund.

After some discussion, the council agreed they would like to look at the transfer and methodology in

the next budget draft.

Administrator Linwood stated staff continues to evaluate the equipment replacement policy and will have a special meeting for review and discussion. The replacement of the plow would be purchased through an equipment certificate.

Jean McGann explained if the city chose to issue an equipment certificate to purchase the plow the bond proceeds as revenue and in 2019 a 100% of the expense would be reflected as expenditure and in 2020 the bond principle and interest would be reflected as expense.

Councilmember Waller asked for clarification on the increase for vehicles.

Public Safety Director Hoppe, explained that in 2019 public safety has a two vehicle purchase rather than a single vehicle. Based on the rotation, there are years only one vehicle is replaced and other years two vehicles are replaced.

Councilmember Waller asked if there were any funds that could be used for the purchase other than the levy.

Public Safety Director Hoppe stated they would research to see if it is possible to use other funds.

3. Fund Balance/Reserve Balance Discussion

Administrator Linwood explained currently the city's fund balance policy identifies 55% as a fund balance. Upon completion of the audit the city is approaching 108%. He explained it will be important to look at the fund balance in the event there is a surplus in 2018. We are proposing to take the fund balance amount of approximately \$1.5 million and place it in a new revolving capital fund. Staff and council would have discussions on how to utilize those funds and it would bring the fund balance to 55%.

Mayor Iverson asked what types of items could the city use the revolving capital fund.

Jean McGann explained if the council decided to transfer the dollars out and put them into a permanent improvement revolving fund it would be a capital project fund. The city could spend down some of the reserves and decide how much money is to be retained in the fund. Instead of issuing an equipment certificate, council could use the dollars out of the permanent improvement revolving fund and then repay it over a period of years. This would reduce the tax levy by financing equipment internally and replenishing the fund over a number of years so there are dollars available in case of a catastrophic event there are additional dollars to expend during that year. In addition, if there is a project in the city, those funds could be used for that project. This process shows that the city is planning fiscally responsible for the future. A reserve balance has a state audit requirement and the council has the preference of the dollar amount and percentage you need to maintain in reserves. To remove the excess reserves from the general fund and place them into a capital fund is a good financial decision because you are putting those dollars away and reducing the impact on the residents.

The fund can be used for the purchase of property; if it is a purchase through the EDA the council may consider doing a loan versus a transfer. There are several cities that do this and it is audited by the auditors who are required to go by all the statutory requirements. Ms. McGann explained if the council would decide to do a transfer the city would do a loan with a stated rate of interest or no interest rate and you would need to have an inter fund resolution passed so all the appropriate documentation is included stating exactly what you are going to be doing. Ms. McGann recommended that if the council

decides to transfer the excess reserves from the general fund to a permanent improvement revolving fund the city has a policy statement that surrounds that particular fund outlining the uses of the fund to confirm how and why those dollars will be used.

Councilmember Waller stated he would like to see what the difference is paying off some of the loans.

Ms. McGann stated she will look at what the bond requirements are and when the city is allowed to pay them off.

After considerable discussion the council agreed they would like to see a draft policy outlining specifications of what the revolving fund could be used for and how the money is getting put back into the fund so it is sustainable.

Public Safety Director Hoppe explained that part of the OSHA requirements is that the cities have a Safety Committee that meets on a regular basis and has a representative from each area/department. The goal of the safety committee is to identify issues including facility, accidents etc.. The safety committee reviews the identified issues, classifies them and determines action plans. Every quarter a facility is inspected and issues are documented on an inspection sheet. During the monthly meetings the safety committee classifies the identified issues and determines which issues can be accomplished from a manager's perspective, which issues require additional funding and which issues can't be satisfied due to lack of space or inadequate facilities. Mr. Hoppe reviewed the Safety Committee Facility Tracker spreadsheet with the council. The document will be presented to the city council twice a year to demonstrate issues are being corrected if possible. Issues that require funding sources to correct will require strategic planning from the council and leadership level to identify and plan for issues that cannot be corrected due to inadequate facilities.

Administrator Linwood reviewed the Street Financing Projections – Street Replacement Fund and the Street Financing Projections – MSA Funds spreadsheets.

ADJOURN

7:20PM