

**MINUTES
CITY OF ISANTI CITY COUNCIL
WORK SESSION
NOVEMBER 15, 2011
ISANTI CITY HALL**

Mayor Wimmer started the work session at 5:46 p.m.; he could not call the meeting to order because there was no quorum.

Members Present: Mayor Wimmer, Councilors Steve Lundeen and Sue Larson.

Members Absent: Councilors Jim Kennedy and Ross Lorinser.

Staff Present: City Administrator Don Lorsung, Police Chief Ron Sager, Human Resources/Deputy City Clerk Karissa Henning, Economic Development Director Sean Sullivan and City Engineer Brad DeWolf

Councilor Steve Lundeen arrived to the meeting at 5:58.

1. Discussion on Long Term Financial Planning

Mayor Wimmer displayed a presentation on how to absorb the reduction in property values. The presentation covered the impacts from the property value decreases and re-evaluated where the City is at with long term financial planning.

In the presentation Mayor Wimmer had a graph showing a year by year outlook, up to the year 2018, on how to absorb the current 22% reduction in property values. Below are the highlights Mayor Wimmer touched upon:

- Taking a look at 2012 and 2013, there is a related additional 10% reduction in property values for 2013.
- The fund reserve has stayed within 50%, which is the City policy.
- The City has already moved over the Park and Recreation interest money of \$138,000 or so to add to the existing fund balance to help soften the reduction in property evaluations. There is about \$230,000 for the next four years to help soften the property evaluations.
- The Economic Development Director ran business numbers to estimate new revenue coming into the City which includes a reduction for Spectacular Events.
- The TIF district has an expiration coming up in 2013 and another in 2017.
- The Cops grant expires in 2012 but the City's obligation continues for an additional year.
- Positive numbers mostly from the fund reserve.
- The shortfall amount goes through 2010 – 2011 in reduced property values that the City did not capture back from the property owners. That is about a \$150 dollar average savings to the owners this year.
- The City tried to split the difference with the anticipated reduction in property values but there is too big of a gap to fill.

- The City plans to not increase taxes and to keep collecting the same dollar amount. However, the City is going to allow the levy percentage to float with that, meaning the levy percentage will go up but the dollar amount will not.
- For the next four years there is a small budget deficit.
- Next year there will already be a reduction in the deficit because the City's insurance numbers came out to be \$14,000 under what was originally estimated.
 - This could mean that next year the City is looking at only a \$10,000 difference.
- The total in the last two years is bigger because the fund reserve amount is not there. In 2015, when there are still two years going forward to 2016 – 2017, hopefully things will have changed for the better. If things have not, the City might need to think of changing things from a systemic stand point.

Mayor Wimmer showed a graph from 2004 – 2014, a bell curve was shown on the graph, of property evaluations, the bell curve shows that the City is at 50% of where it was in 2009.

- The Mayor made comment that in 2008 and 2009 the property evaluations continued to go up, which gave a false perception of how much money the City had to spend. Noting the curve should have been much more gradual.
- With the \$14,000 savings from the City's insurance for 2012, the levy has been set at 62%, the numbers for the initial planning was at about a 10% shortfall.

Mayor Wimmer quoted the Economic Development Director who had said it takes \$9 million dollars in commercial industrial expansion, not using TIF, to generate \$100,000 to the City's bottom line. Currently, this past year we have generated about \$3 million in commercial industrial expansion.

Larson questioned if there is going to be another big round of foreclosures. Mayor Wimmer said that this is a possibility.

Larson made comment that she has heard the business closure is going to pick up speed. Mayor Wimmer said the City has done a little better than the average. Mayor Wimmer noted that there have been some small businesses that opened and closed. Mayor Wimmer stated his big fear on commercial sites is the occupancy rate.

Mayor Wimmer made comment that the one thing Isanti has to do is manage the process and the City better than other communities are doing so the City is in as good of a position as it can be.

Larson questioned, since knowing the City is going to get an insurance kick back from the League, if the City needs the grader in Public Works to cut through ice. Larson asked if contracting would be better, and if contracting could possibly save a few dollars. Mayor Wimmer said that is something that would need to be looked into along with other equipment the City currently has.

Mayor Wimmer showed some numbers with the Capital replacement fund.

- The City has \$314,000 give or take, to replace the municipal buildings.
- Mayor Wimmer made comment that the policy decision, and a bigger discussion that needs to be had, is do we want to continue to reserve the money as if the building needs to be replaced in cash? Or, do we need to go out and bond when the buildings need to be replaced? Stating, if the City went this route, it could free up a lot of cash – this is a lever the City could pull if needed.

Mayor Wimmer talked about street capital replacement and how staff has discussed whether all the equipment the City currently has is needed, or if some equipment the City could go without.

Larson inquired about the plans for the Community Center. Mayor Wimmer stated currently the City is at a \$14,000 to \$15,000 annual loss since it was subsidized. Staff has suggested partnering with churches and Spectacular Events to help keep the center up and running. There was discussion on the Community Center and the costs of bringing it up to code, versus replacing it, selling it, or getting partnership from other community events or businesses. Lundeen suggested attaching the Community Center to City Hall and partnering up with Snap Fitness and other community organizations.

There was further discussion on the \$300,000 the City is expecting to receive from the LGA flip that could possibly go away.

Larson stressed the importance of the goal setting meeting and how plans for the Community Center need to be brought up.

Lundeen asked if the Community Center could use money from the park fund. Mayor Wimmer stated it could not, the park fund money can only be used for new land acquisition and new equipment purchases – not even equipment replacements for parks.

Mayor Wimmer made comment on the City has to be cautious about new developments and ensure the City has no financial responsibility to a business in case the business goes bankrupt.

Larson made comment that the citizens are concerned about how the City had money to build parks and purchase the three lots the City recently purchased. Mayor Wimmer explained the City does not plan on building any more new parks. Mayor Wimmer stressed the City needs to communicate at the final budget meeting to the citizens so they are aware of what the City is doing and why it is being done.

Mayor Wimmer made comment that the City is trying to use every possible dollar that is not a direct tax payer dollar as possible.

Mayor Wimmer made comment that the City has three levers left that can be pulled: the park and recreation interest, the fund reserve policy and the employee levels .

Mayor Wimmer stated the City can ride through the next four years as we are right now, but by 2015 we will know if things are getting better, or if the City needs to fundamentally change how the city is structured.

Mayor Wimmer showed one last chart, a five year projection, which was made in 2009, for the estimated fund balances in the years to come.

- The estimated fund balance in 2009 was almost \$2 million and it was estimated that in 2011 the City was supposed to be down \$116,000 in the fund balance
- Mayor Wimmer noted the City did a lot of changes and heavy lifting which explains why the City is still at the \$2 million dollar level. A lot of costs were cut.
- In 2015, the City was estimated to be in the hole \$4 million dollars, now the City is less than \$100,000 in the hole

Lundeen made comment that this is just speculations of what is currently happening and that it could change.

Mayor Wimmer stated LGA is the only big wild card we do not directly control. If the LGA were to go away next year it would hurt us, but there is a cushion of time built in to make changes if this happens.

Larson stressed the urgency of participation at the goal setting meeting. Mayor Wimmer agreed.

Larson proposed that a record keeping sheet should be used for Council members to show which meetings were attended and other meetings that were not. Additionally, Larson suggested the record keeping sheet of meetings should be available for the public to see during Council elections. Mayor Wimmer noted this would be a good idea; it would have to be run by the other Council members.

Adjournment

Motion by Larson, second by Lundeen to adjourn. Motion carried unanimously.

Meeting adjourned at 6:15 p.m.

Respectfully Submitted,

Karissa Henning
Human Resources/ Deputy City Clerk