

**MINUTES  
CITY OF ISANTI  
CITY COUNCIL BUDGET WORK SESSION  
TUESDAY JULY 19, 2016  
CITY HALL**

Mayor Wimmer called the meeting to order at 7:04 p.m.

Members Present: Mayor George Wimmer, Councilors: Paul Bergley, Dan Collison, Ross Lorinser and Steve Lundeen

Members Absent: None

Staff Present: Assistant City Attorney Patrick Moore, City Administrator Don Lorsung, Human Resources/City Clerk Lindsey McInnis, Interim Finance Director Gayle Bauman

**2017 Budget Review Schedule**

Interim Finance Director Gayle Bauman greeted Mayor and the Council and explained the 2017 Budget Review Schedule. The purpose of this meeting was to review general fund revenue projections and all preliminary department budget expenditures. Future work sessions are set for Wednesday, August 3, 2016 and Tuesday, August 16, 2016 (if deemed necessary) in which Water, Sewer, Storm Water, Liquor and Capital Outlay will be discussed. All meetings will follow the regular City Council Meetings.

**Review 2017 General Fund Revenue Projections**

The General Fund Revenue and Preliminary Budget Expenditures Projections for the General Fund and the 2017 proposed property tax levy amount were presented.

The Property Tax Levy proposed is set to increase by \$47,000 to \$2,587,561 or a 1.8% increase. \$37,000 of that is due to the projected increase in the fire protection services and \$10,000 is to cover potential mediation/arbitration costs. Based on information Ms. Bauman received from the County, the increase in market values is expected to be about .3% which would give us an estimated tax rate of 86.619% for 2017. The general fund is expected to go up slightly to \$2,009,086 for an increase of \$75,086 and the Debt Service is projected to go down to \$578,475 for a decrease of (\$28,086) which gives us the net change of \$47,000.

She explained that when she looked at the revenues, some went up because of inflation, some are based on prior year trends and schedules that are known.

The transfer from the liquor store is budgeted at \$350,000 which is a \$50,000 increase over 2016. Interest on investments is difficult to budget, and is currently set at last year's amount. LGA reflects the amount for current law. There may be an increase if a special session is called. Originally the Legislature approved an increase but the Governor vetoed the bill. If approved in a special session, the amount would potentially increase an additional \$57,000.

The estimated increase to the General Fund - Fund Balance based on everything in the packet is set to be just over \$31,000 for 2017.

The preliminary budgeted revenues, including debt service are just over \$4,000,000. Bauman presented a snapshot of Pay 2015 and the 1<sup>st</sup> half of taxes compared to 2016 1<sup>st</sup> half. For the delinquent balance, the City collected more in 2016 than 2015. We will see how it shakes out when the whole year is done.

### **Review of 2017 Preliminary Department Budget Expenditures**

Ms. Bauman continued, explaining the preliminary total 2017 budgeted expenditures for the General Fund are \$3,312,959. This represents a \$195,269 increase over 2016, or 6.3%. There are two main reasons for this change:

1. An increase in hours from a part time to full time position in 2016
2. Capital outlay requests for 2017 are up/over the amount approved for 2016

Two tables were presented breaking down the differences between the 2016 and 2017 Budgets. The first was by department and the second was by type.

She touched briefly on the Fund Balance for the General Fund. The City has a fund balance policy where the general fund unassigned fund balance should be 50% of the following years budgeted expenditures and transfers out. Any excess can be used to reduce property tax levy in future years. If you fall short, you are to devise a plan to get back up to that 50%. For 2017, the budget is set to add \$31,000 to the general fund which is an increase and is progressing towards that 50%. We need to show continual progress and at the end of 2015 we were at about 41% so we are on the right track. If we could increase it even more that would be better.

The assumptions for expenditures for all departments included all wages with a 2% COLA and necessary step increases. That resulted in an approximate impact of \$33,000 to the general fund. Health insurance was projected to increase 10%, Workers Compensation rates were projected to increase 6%, Property and Liability Insurance 2.5%, Dental Insurance 5%, and Life Insurance remained the same and was based on 2016 rates. Managed expenses throughout the general fund budget have been adjusted based on prior year actual costs, current year expenditures through May, and actual maintenance agreements and contracted costs. The total preliminary 2017 Budgeted Expenditures, including debt service are \$4,049,520. This represents a \$126,489 increase over 2016, or 3.2%.

Mayor Wimmer added that the amount for wages and COLA for 2017 is not a definite number, it is a placeholder at this point. The City will be entering into negotiations with the two unions this year and the final amount could go up or down from the placeholder depending on how the City settles on that issue.

Councilman Lorinser suggested we watch the trends of what other departments are getting for their negotiations. Mayor added that is how the original amount of 2% was decided upon. They looked at what other surrounding areas were settling on in their contracts and they were right in the 2% range.

Bauman continued her presentation outlining some of the major changes in individual departments.

In the Finance and Administration Budget a \$10,000 increase was included for potential mediation/arbitration fees, which we increased the levy to cover that expense. The Mayor explained the last few years have averaged between \$5,000 - \$8,000 in similar costs, so it is a large enough cost figure to start budgeting for. City Administrator Don Lorsung confirmed.

Parks and Rec Department Budget increases include 1) the part time to full time employee, previously mentioned, 2) street dance \$3,000 and 3) capital outlay requests were up \$48,000 over last year's approved budget.

The EDA budget is up almost \$12,000 over 2016. Bauman noted the EDA is financed almost completely by a general fund transfer. After looking at all the changes in the EDA budget, the net general fund transfer is going up just over \$20,000 to \$125,255. This is needed in order to get the EDA fund to come up with a positive fund balance. The Mayor noted that franchise fees such as cable etc. are split with the technology fund, so there is a revenue stream that does pay part of it. Lorsung confirmed.

The Police department budget reflects increases in equipment. Bauman noted there was an additional request for a laptop with software budgeted at \$6,000 which is not included in the General Fund Budget. It appears, after looking at the forfeiture fund, there are sufficient funds to cover this cost, so she indicated we will budget the \$6,000 out of the forfeiture fund.

The final phase of the street lighting infill project has been budgeted at \$20,000.

The preliminary increase of 15% in fire protection services, based on the increase over the past few years, is included in the budget. The Mayor commented that this is based on actual history of what we receive and not the estimated amount the Fire District provided. The actual increase from 2015 to 2016 was 13% and that was not the original guidance the City was given. Again this year the number provided was lower than previous years have been, therefore the City needs to budget based on actual previous costs and trends of increases. Every cent that it is increased has to be passed on to the taxpayers because the City cannot take it out of the other budgets. However, if the cost goes down, at that time the City can lower it.

The Debt Service levy is proposed at \$578,475 and is included in the budget. It is projected to remain at this level through 2019. Based on the current debt requirements, the levy should drop off in 2020 because some of the debt is going to mature and will roll off the books.

Bauman also pointed out other requests made from department heads not included in this budget.

Mayor Wimmer specifically pointed out one of those items that may be coming back was the Engineering Technician. The Mayor expressed that if we have dollars in the areas we are already spending with Bolton and Menk that we could use instead to pay a large portion if not a majority of that position and also have that person doing GIS for us as well. Sealcoating would be one example of one of the projects that are ongoing every year. We spend about \$250,000 with \$40,000 of that just the engineering/administrative overhead we pay Bolton and Menk to supervise it. These are not complicated projects. It would be nice to have someone on staff to do this. We are just trying to figure out if we are able to fund it from dollars that we are already spending.

Mayor reiterated the actual only changes in the levy costs are \$10,000 for mediation and \$37,000 for the fire district. He also added the revenue numbers are conservative, so that is one area that might do better. Councilmember Lundeen commented on the real estate market and agrees we should stay conservative. The Mayor also agreed and pointed out, as Ms. Bauman stated, we are trying to slowly build back up on our

general fund, so any cash that comes into that, is all the better for us. We also recently did have our credit rating reaffirmed.

Administrator Lorsung added that the message S & P gave us is that they are looking for increasing progress to replenishing those cash balances. Council member Lorinser questioned if they look at the intentional draw down that we did. Lorsung acknowledged it was part of the plan and they did know it was the City's intention to do that. Lorsung stated we needed the large tax levy that we had last year after steadily rolling through the recession. As previously stated they want to see us making steady progress towards replenishing those cash balances which is what we are doing. The Mayor also stated that we have a plan in place and we are following that plan. Even after last year's change and this minimal proposed change we are going to have the lowest tax rate in the County.

Lorinser questioned what the 2016 increase was for fire service. Mayor stated it went up \$23,000 or about 13%. Lundeen stated it is based on call rates. Mayor interjected also their labor costs dramatically increased.

Council member Lorinser commented in regards to the Liquor Store Committee and questioned if they have looked at the last few years and how much the cash is increasing and their net profit. Council member Collison added that since Liquor Store Manager John Jacobi took over, the increase is at 28% or better. Before that it was 23% or 24%. Lundeen added he has done an outstanding job. Collison pointed out he is almost at a cap because he needs a bigger store so he can buy more in bulk or the population needs to dramatically increase.

The Mayor added the extra draw down could be done a couple different ways. We could transfer \$200,000 in one year because there is a \$650,000 balance in the Liquor Store funds and John Jacobi only needs about \$200,000 - \$300,000 to run operations. However, what we want to do from a budgeting standpoint is to do it in an incremental way, so if something would happen we would be able to survive through that.

### **Adjournment**

Motion by Lundeen, second by Collison to adjourn. Motion carried unanimously. The Work Session adjourned at 7:25 p.m.

Respectfully Submitted,

Janice Lutterman  
Administrative Data Clerk