

**CITY OF ISANTI
CITY COUNCIL BUDGET WORK SESSION
WEDNESDAY AUGUST 3, 2016
CITY HALL**

Mayor Wimmer called the meeting to order at 7:29 p.m.

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

Members Absent: None

Staff Present: City Attorney Clark Joslin, City Administrator Don Lorsung, Administrative Data Clerk Janice Lutterman, Interim Finance Director Gayle Bauman, Economic Development Director Sean Sullivan, Chief Gene Hill and City Engineer Brad DeWolf

Enterprise Funds

Gayle Bauman greeted the Mayor and Council. She reminded everyone that tonight's meeting is a continuation of the last budget discussions and that she would be discussing the 2017 Preliminary Budgets including the Enterprise funds and the Capital Outlay and Reserve for Replacement. The same assumptions as presented in the first meeting were also used for these items. Some of those assumptions are that wages included a projected 2% COLA, Health Insurance has a 10% increase, Work Comp rates are a 6% inflationary factor, Property Liability Insurance is 2.5% and Dental Insurance is 5%.

She continued explaining the preliminary budget for the Water Fund. Total budget expenditures including principal payments and capital outlay is projected to be just over \$1.4 million for the Water Fund. Included in the budget are the water meters for the City buildings at just over \$10,000. Based on the current water rates, this fund is projected to operate at a cash deficit but this was all taken into account when the water rate study was done earlier this year. The fund seems to be performing as anticipated.

The preliminary budget for the Sewer Fund expenditures including principal payments and capital outlay is \$1.84 million. Sewer sale revenues are based on a review of collections to date and the connection fee is based on 2016 budget. Bauman did a review for all funds looking at current collections to date and tried to anticipate what is going to happen this year. If a change was needed she adjusted, otherwise she went with the 2016 budget if it was close to what she came up with. There is a positive cash flow projected in the Sewer Fund and it appears with all the projections she did, it is sufficient to handle the debt service costs on the bonds that were issued this year for the upcoming sewer projects. Mayor Wimmer added that for both Sewer and Water Funds, we did our projections for 2016 and we needed to do 35 new residential hook-ups and we are at approximately 47, so we have already surpassed that. We have also projected to need to do 25 for the next nine or ten years following.

Bauman next explained the Storm Water fund. The total budget expenditures including Capital Outlay are just under \$200,000. There is an increase to the ground maintenance expenditures of \$20,000. She believed that had to do with the MS-4 permitting requirements that are in place. The total budgeted storm water revenues are based on review of collections to date and this fund currently has a cash deficit which is due to the big projects which were completed in 2015. If no major projects are completed in 2016 or 2017, this fund will have a positive cash balance at the end of 2017. With all three of these funds there were no changes in the rate structure put in place in the budget. If there were to be a change, we would need to re-evaluate these budgets. Bauman discussed the Liquor Store budget next. The expenditures were figured from prior year, actual and current year expenditures. The items for resale are based on 2015 actual plus a 2.5% increase and that is similar to the revenues, they were based on 2015 actuals plus a 2.5% increase. The total transfer from the liquor store to the general fund is scheduled to increase by \$50,000 from \$300,000 to \$350,000. Because of the increase in this transfer the liquor store is set to lose a little bit of cash in 2017 but there is sufficient cash in that fund to handle that additional transfer. Mayor stated that he thought it was right around \$600,000 and Bauman confirmed.

Bauman asked for any questions regarding the Enterprise Funds and there were none.

Capital Outlay

Bauman went on to discuss the Capital Outlay portion. She presented a worksheet to the council of the Capital Outlay and Replacement Requests from the department heads and indicated that all items were all figured into the preliminary budget figures. There is a Capital Outlay Replacement Fund and we are not anticipating using that fund for any of the items listed.

She referenced a worksheet which was previously used and she updated it with 2015 and 2016 information. The worksheet referenced was a summary of Reserve for Replacement, and the anticipate balance as of 12/31/2016. The column referencing the recommended reserve is the same number that was calculated last year. She was not able to go through the whole depreciation schedule to figure what the updates to that were, but the short fall in that fund is going to be around \$860,000 figure. So not using funds to pay for Capital Outlay items this year means that we are not having to draw funds out of there, and then having to put more back in. However, at some point in time we will want to get to a point where we can start funding this by either putting levy money in or transfers into this fund. That way we can replace equipment when it becomes necessary. Bauman indicated that one item she questioned was that it appears the \$7,500 for the Cambridge/Isanti Bike Walk is an annual recurring event, which is usually funded out of this fund, and then a transfer from the General Fund is done to put the money back into this fund. She indicated that there is no transfer scheduled to go into this fund, and she was unsure if this event is planned to happen in 2017. Bauman stated there is \$16,000 in the line item that is used for this event, so if we didn't replace it we are just drawing down on this fund. Otherwise, we can make a change in the General Fund budget as well. The Mayor indicated that the amount is what we are obligated to pay for with our agreement with Cambridge.

The Mayor asked Council if they had any questions. Collison questioned if since the last budget meeting the Cost of Living increase had changed. Mayor indicated that it had not changed, that it was planned at 2%. The Mayor went on to further explain that Staff came up with that number based on what settlements have been in the last few years for other cities. He also stated that depending on what happens in negotiations, if we end up having to settle on an amount higher than that, he does not want it to come out of the General Fund. Mayor would bring the outcome to Council and ask that the specific department incur the costs of anything above the 2% cost of living increase. This would be applicable to either Public Works or the Police Department, depending on the negotiations.

It was confirmed that another budget work session is not needed at this point.

Adjournment

Motion by Lundeen, second by Lorinser to adjourn. Motion carried unanimously. The Budget Work Session adjourned at 7:39p.m.

Respectfully Submitted,

Janice Lutterman

Administrative Data Clerk