

City of Winsted  
Special City Council Meeting  
Lewis Room  
Friday, September 25, 2015  
12:00 p.m.

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

Absent: Council Member Max Fasching

Staff Present: Mr. Dan Tienter, City Administrator  
Ms. Deborah R. Boelter, City Clerk-Treasurer

**1) Mayor Stotko called the meeting to order at 12:00 p.m.**

**a) The Pledge of Allegiance was taken.**

**2) Consent Agenda**

Mayor Stotko read the Consent Agenda.

**a) Schedule Public Hearing – Franchise Ordinance - Mediacom**

Scheduled a public hearing for October 20, 2015 at 6:00 pm or as soon as thereafter to consider adopting a Franchise Ordinance for Mediacom.

**b) Schedule Public Hearing – Franchise Ordinance - TDS**

Scheduled a public hearing for October 20, 2015 at 6:00 pm or as soon as thereafter to consider adopting a Franchise Ordinance for TDS Telecom.

**Council Member Ollig motioned to adopt the Consent Agenda as presented.  
Council Member Schulenberg seconded the motion. Motion carried 4-0.**

**3) No Public Hearings.**

**4) No Old Business.**

**5) New Business**

**a) Resolution R-15-36 – Year 2016 Preliminary Property Tax Levy**

Mr. Dan Tienter stated today's Special City Council meeting is to discuss the 2016 preliminary property tax levy and the City's General Fund.

This year's budget process started on August 10, 2015 which is a little later than normal and is the main reason for the Special City Council meeting. Meetings were had with the Mayor as well as the various department heads to look at possible budget adjustments. Mr. Tienter noted a work session was held on September 15 to review the proposed 2016 budget and that the Council has the option today to certify the preliminary property tax levy and budget.

On November 2 and 16, 2015, work sessions will be scheduled to allow the City Council to review the budget in greater detail. Mr. Tienter noted there are some unfinished items in the budget that

will be finalized in the next month. The truth-in-taxation hearing will be held December 1, 2015 and on December 15, 2015 the Council will certify the 2016 tax levy.

Mr. Tienter stated there were some general assumptions that were made in the budget, and those include limited revenues and generally higher expenditures. Information received from the City's insurance consultant was that they anticipate an 8 percent cost increase in employees' health and dental care but no increases in other benefits such as long-term disability. The budget also includes a single salary step increase for each employee which would occur after July 1 consistent with the City's policy regarding increases in salary. The budget also reallocates different resources in two phases. Three-year averages were reviewed and adjustments were made to the budget based on past practice. As a result, this budget better reflects the departments' actual expenditures. Mr. Tienter noted there were limited adjustments made to external revenue sources. The budget also proposes the use of fund balance for infrequent expenditures, which basically refers to the presidential election. In Staff's opinion, the budget is structurally balanced based on revenues and expenditures.

Another assumption taken into consideration in the budget was that the General Fund does not include the approved property tax abatements that would begin for taxes payable in 2017, which amounts to approximately \$11,000 per year. It also does not include any anticipated property tax reimbursements for any payments promised by the City for tax increment financing payable in 2017. The budget also assumes no increases in General Fund transfers for capital improvements.

Mayor Stotko asked whether there is any transfer planned for the airport paving.

Mr. Tienter stated at this time there is no planned transfer. Depending on how the City finances the airport paving, there could be use of General Fund money and that it will be important as the City moves forward to make adjustments to the Capital Improvement Plans as it relates to the financing of those projects.

Mr. Tienter noted included in the Council's packet is a list of some of the larger budget requests for 2016. Some of the bigger ticket items are the deputy city clerk position, the elections, an increase in engineering fees to be more consistent with the City's needs, and compensation study implementation, which is \$27,000 and is a slight increase over what was discussed in the work session. It now includes the City's contribution to PERA and FICA. It also includes a general one percent increase in the compensation plan as a cost of living adjustment. Mr. Tienter noted the final compensation study report is not due to the City until the end of October but that he has included what is believed to be the anticipated compensation increases.

Mr. Tienter noted the levy can be decreased but not increased except in very specific circumstances once it has been certified. A large portion of the 2016 increased tax levy is a result of the \$27,000. It is also anticipated that Local Government Aid will increase by approximately \$10,000. The budget reflects 100 percent of that anticipated Local Government Aid. The budget also includes the addition of an annexation fee, which the City had not been charging even though it was included on the City's Fee Schedule. Moving forward, the City will be charging the \$3,000 annexation fee.

Under Public Safety, there are some cost savings reflected by a reduction in gas, oil and legal fees based on the 3-year trends. Also based on the 3-year rolling average, City Staff determined it would be prudent to increase state grant aid for public safety. Annually the City submits a report about the costs it expends on public safety and fire protection and a portion of those costs is reimbursed so revenue is being adjusted to reflect that.

Mr. Tienter noted Public Works has been allocated additional money in 2016 for snow removal based on past history. Mr. Tienter stated those are the more significant budget changes but that a complete list can be found in the Council's packet.

Mr. Tienter stated based on all of the assumptions and budget requests, the 2016 budget was created.

The City Council reviewed the General Budget and Levy History and Detail as well as the Property Tax History and Detail charts.

<b>Figure 1: General Budget and Levy History and Detail</b>						
	Final 2013	Final 2014	Final 2015	Preliminary 2016	Change 2015 v. 2016 (%)	Change 2015 v. 2016 (\$)
Expenditures	\$ 1,496,710	\$ 1,622,343	\$ 1,635,238	\$ 1,734,313	6.06%	\$ 99,075
Revenue	\$ 1,640,722	\$ 1,652,018	\$ 1,675,240	\$ 1,730,630	3.31%	\$ 55,390
Total	\$ 144,012	\$ 29,675	\$ 40,002	\$ (3,683)	-109.21%	\$ (43,685)
General	\$ 777,182	\$ 776,682	\$ 799,904	\$ 839,899	5.00%	\$ 39,995
Debt	\$ 326,250	\$ 326,750	\$ 322,750	\$ 322,750	0.00%	\$ -
Total	\$ 1,103,432	\$ 1,103,432	\$ 1,122,654	\$ 1,162,649	3.56%	\$ 39,995

Mr. Tienter noted the City is anticipating approximately \$55,000 in increased revenue, which includes the \$4,400 in aid, the 100 percent LGA, and the \$3,000 annexation fee. Overall the revenue budget is increasing by 3.31 percent. Expenditures are expected to increase by 6.06 percent, which exceeds the anticipated revenues by approximately \$3,600. That amount is associated with the presidential election. The majority of the City's expenditures are related to public safety and public works, followed by administration and fire protection.

Mr. Tienter stated \$42,000 has been included for the deputy clerk position, \$14,750 is a general increase in engineering, and the \$27,000 is for increases in compensation. In total the expenditures will increase by approximately \$99,000.

<b>Figure 2: Property Tax History and Detail</b>								
Year	Net Tax Capacity	Property Tax Levy	Net Tax Capacity Rate	Estimated Median Value Home	Net Tax Capacity	Net Property Tax	Net Property Tax Change (%)	Net Property Tax Change (\$)
Final 2011	\$ 1,342,505	\$ 1,117,629	83.25%	\$ 140,000	\$ 1,186	\$ 987	n/a	n/a
Final 2012	\$ 1,244,925	\$ 1,117,629	89.77%	\$ 140,000	\$ 1,186	\$ 1,065	7.84%	\$ 77
Final 2013	\$ 1,230,607	\$ 1,103,432	89.67%	\$ 140,000	\$ 1,186	\$ 1,063	-0.12%	\$ (1)
Final 2014	\$ 1,270,528	\$ 1,103,432	86.85%	\$ 140,000	\$ 1,186	\$ 1,030	-3.14%	\$ (33)
Final 2015	\$ 1,262,652	\$ 1,122,654	88.91%	\$ 140,000	\$ 1,186	\$ 1,055	2.38%	\$ 24
Prelim. 2016	\$ 1,487,555	\$ 1,162,649	78.16%	\$ 140,000	\$ 1,186	\$ 927	-12.10%	\$ (128)
Change 2015 v. 2016	\$ 224,903	\$ 39,995	-11%	\$ -	\$ -	\$ (128)	-14%	\$ (152)

Council Member Quast stated she has received some written comments from Council Member Fasching indicating that he is not in favor of increasing the City's 2016 expenses by approximately \$100,000 but that he is thankful the City is anticipating an increase in revenue by \$55,000. Even though the average property owner will see a decrease in their property taxes, the projected increased expenditures are being asked to be paid elsewhere, such as business taxes, et cetera. The next five years are going to be difficult ones for the residents of Winsted given the double digit increases in water and sewer rates, the upcoming referendum on the new middle school, and the impact on property owners currently paying assessments as well as future assessments.

Council Member Fasching further stated in his written comments that he would be in favor of keeping the tax levy at a net zero increase or an increase that would be consistent with the current rate of inflation, which is around one percent. Council Member Fasching is not asking to cut one or more specific programs but that he is asking for Staff to figure out a way to trim \$40,000 out of a \$1.15 million budget. Fiscal responsibility and the prudent stewardship of public funds are essential for the confidence of City operations.

Mr. Tienter noted he did meet with Council Member Fasching on Wednesday to discuss his concerns at length, and that he requested the Council be told that the two issues he is most concerned about are the deputy city clerk and exploring other options for providing support to Staff as well as the compensation study implementation. Council Fasching indicated he would like to further discuss the amount of compensation being proposed.

Mayor Stotko asked what the City has spent on part-time help.

Mr. Tienter stated he does not know that information but that it could be provided.

Council Member Quast stated the City should also look first at its present employees to see if they are qualified to take any type of a job.

Mayor Stotko noted the deputy clerk position is a new position and if a new person is brought in, that number may decrease.

Council Member Ollig stated the City does have an employee who is certified to assume that position.

The City Council agreed that future discussions should be had regarding the deputy city clerk position as well as the compensation study.

Mr. Tienter stated the City Council must certify the preliminary property tax levy on or before September 30. If the Council does not certify a preliminary property tax levy by that date, the County auditor would use the last certified levy. The final property tax levy may be decreased but cannot be increased once it is certified.

Mr. Tienter discussed some general property trends that are occurring across the state based on data from the League of MN Cities. Market values are increasing across all property classifications. With that increase in value, property tax rates are declining. Last year there was an average property tax increase of four percent in other surrounding communities.

Mr. Tienter distributed the *Year 2016 Preliminary Property Tax Levy Analysis for the City of Winsted*. Mr. Tienter reviewed the City of Winsted's property tax history for homestead, industrial and commercial properties and noted that property valuations have been held fairly constant for 2014 and 2015. Information concerning the median property valuations in Winsted was not able to be provided by the Assessor's Office.

Mr. Tienter stated the chart shows that the current levy underneath budget assumptions assumes a five percent increase in the levy. The debt service levy is held flat and is set by payment schedules.

Mayor Stotko asked when the next bond will come off.

Mr. Tienter indicated it will be in 2017 and will be \$29,000. Mr. Tienter stated if the City were to include the tax abatements, the general fund levy would increase by 6.9 percent for a total increase of 4.2 percent. The 2016 general fund levy is currently at \$839,899, the debt service levy would be \$322,750, for a total property tax levy of \$1,162,649.

Mr. Tienter indicated Staff did call around to other local cities to find out what their tax levy has been set at. The City of Waverly is at zero and Brownton is at 10 percent. The area average is 3.76 percent. The City of Winsted is .2 percent below the area average. Mr. Tienter indicated he was not able to obtain information on the school district's levy but that he will provide that once he receives the information.

Mr. Tienter noted if the City's property tax rate increased at the rate of inflation as determined by the Bureau of Labor Statistics, they would have increased over time and would amount to approximately \$1.2 million in 2016. Mr. Tienter stated if you look at the tax levy from 2011 to 2016, it is approximately \$39,000 short of the rate of inflation, which is a direct result of the City Council's and Staff's fiscal conservatism.

Council Member Quast requested Staff look at whether the City's preliminary property tax levy has ever been decreased from the time it was certified to the time the final property tax levy was adopted.

Mr. Tienter stated for the last five years that would not have occurred mainly because the tax levy increase was kept at zero. Mr. Tienter noted he will be having discussions with the City Council on areas where the budget can be changed following certification of the preliminary property tax levy.

Mayor Stotko asked if the City will have to tap some of its reserves.

Mr. Tienter stated the City will be tapping some of its reserves to pay for the costs of the 2016 presidential election, which was approximately \$3,600. If that were added into the levy, it would increase the general property levy by 5.46 percent and the total levy by 3.89 percent.

Mr. Tienter noted the City has nine months of reserves for the General Fund and 15 months in reserves for all other funds.

The City Council discussed some projects coming up in 2016 and the potential funding sources. Mr. Tienter noted there may be some cost increases for the baseball field renovations but that has not been determined at this point.

The City Council discussed the deputy clerk position and the proposed salary. Mr. Tienter stated if the deputy clerk position is filled by a current employee, he is anticipating little need for additional part-time help if the position being vacated by the employee is filled. Mr. Tienter stated there may still be a need to hire some part-time help in the event of an illness, vacation or another unexpected circumstance.

**Council Member Ollig motioned to adopt Resolution R-15-36 certifying the Preliminary 2016 General Property Tax Levy of \$843,582 and Preliminary 2016 Debt Service Levy of \$322,750 for a total Preliminary 2016 Property Tax Levy of \$1,166,332. Council Member Schulenberg seconded the motion. Motion carried 4-0.**

**6) No Organization Report.**

**7) No Open Forum.**

**8) Announcements**

**a) Luce Line State Trail – Ribbon Cutting Ceremony – Saturday, September 26, 2015**

Mr. Tienter invited the general public to the Ribbon Cutting Ceremony being held on Saturday, September 26, 2015, at 10:00 a.m. in the City of Winsted's Southview Park to recognize the newly paved Luce Line State Trail.

Mr. Tienter gave a brief overview of the events and/or activities that would be happening at Southview Park that morning.

**9) Adjournment**

**Council Member Quast motioned to adjourn the meeting. Council Member Ollig seconded the motion. Motion carried 4-0.**

The meeting was adjourned at 1:15 p.m.

*Steve Stotko*

Steve Stotko  
Mayor  
City of Winsted

ATTEST:

*Deborah R. Boelter*

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