

City of Winsted  
 City Council Work Session  
 Lewis Room  
 Tuesday, October 16, 2012  
 5:00 p.m.

Present: Mayor Steve Stotko  
 Council Member Tom Ollig  
 Council Member Bonnie Quast  
 Council Member Dave Mochinski  
 Council Member George Schulenberg

Staff Present: Brad Martens, City Administrator  
 Deborah R. Boelter, City Clerk-Treasurer

**I. Call to Order**

Mayor Stotko called the meeting to order at 5:00 p.m.

**II. 2013 Budget Update**

Mr. Martens stated that on October 8, 2012, the City of Winsted received updated tax rate information from McLeod County. The data shows that the 2013 Preliminary Levy set by the City of Winsted results in a decrease in the City's tax rate of .345%.

Mr. Martens presented a table illustrating the effect of the tax rate reduction on residential and commercial properties.

Residential				
Market Value	Taxable Market Value	2012 City Tax	2013 City Tax (Preliminary Levy)	Difference
\$76,000	\$45,600	\$403.77	\$402.20	-\$1.57
\$150,000	\$126,260	\$1,117.98	\$1,113.63	-\$4.36
\$250,000	\$235,260	\$2,083.13	\$2,075.02	-\$8.12
\$350,000	\$344,260	\$3,048.28	\$3,036.41	-\$11.88

Commercial				
Market Value	Taxable Market Value	2012 City Tax	2013 City Tax (Preliminary Levy)	Difference
\$100,000	\$100,000	\$1,328.19	\$1,323.02	-\$5.18
\$150,000	\$150,000	\$1,992.29	\$1,984.52	-\$7.76
\$250,000	\$250,000	\$3,763.21	\$3,748.54	-\$14.66
\$350,000	\$350,000	\$5,534.13	\$5,512.56	-\$21.56
\$500,000	\$500,000	\$8,190.51	\$8,158.59	-\$31.91
\$1,000,000	\$1,000,000	\$17,045.11	\$16,978.69	-\$66.41

Mr. Martens stated that to reduce the tax rate by one percent (1%), the 2013 Preliminary Levy must be reduced by \$12,622.02 through expenditure reduction and/or revenue increases.

Council Member Ollig asked if the information presented by Mr. Martens is based on a zero percent (0%) increase and/or decrease to the 2013 Preliminary Levy. Mr. Martens stated yes. He continued by stating that it is also based on no change to property values. Mr. Martens stated that the McLeod County Assessor has indicated that there should be no adjustments to commercial property values unless a business would make improvements to their buildings and/or property.

Mr. Martens stated that in previous meetings, the City Council has tabled the decision on staff wages and benefit coverage until the aforementioned data was received.

Mr. Martens requested that the City Council discuss and direct staff how to amend the 2013 Budget for staff compensation by specifically answering three (3) questions:

1. Will the 2013 Budget include step increases for eligible staff?
2. Will the 2013 Budget include a cost of living adjustment (COLA) to the pay plan?
3. Will the 2013 Budget continue or change the health insurance benefit to eligible employees.

Additionally, Mr. Martens asked for City Council direction on the inclusion of other remaining 2013 Budget requests:

- Pioneerland Library System: \$6,000
- Southwest Initiative Foundation: \$1,250

Mr. Martens presented data on comparing staff wage and benefit levels.

Mr. Martens also included information on the most recent Consumer Price Index (CPI) showing a three percent (3%) increase in the CPI's cost of goods.

Mr. Martens stated that the current 2013 Preliminary Levy does not include an increase to staff wages.

Council Member Ollig stated that Social Security has an increase of 1.7% for 2013 and it is based on the cost of living. He continued by stating that he would not want to see an increase of more than 1.7% for employee wages.

Council Member Quast was in agreement with Council Member Ollig. She stated that she would like to recommend a one percent (1%) increase for employee wages in the 2013 Budget. Council Member Mochinski and Council Member Schulenberg were in agreement with Council Member Quast's recommendation.

Mr. Martens stated that there are two (2) options for the City Council to consider:

1. The employees would receive a salary step increase for experience levels, or
2. There would be a freeze on the salary step increase for eligible employees and each employee would receive a one percent (1%) COLA increase in the year 2013.

The City Council discussed and directed Mr. Martens to freeze salary step increases and implement a one percent (1%) COLA increase for each employee.

Mr. Martens asked for City Council direction on employee benefits.

Mr. Martens stated that the 2013 Preliminary Levy does include an estimated eight percent (8%) increase in health insurance costs.

Council Member Ollig stated that when reviewing the health insurance options presented by Mr. Martens, he was considering the option of the City covering the employee's health insurance premium at eighty-five percent (85%) and the employee's dependents at sixty percent (60%) to bring their benefits more in-line with the average employee in the community.

Council Member Ollig stated that he believes that Local Government Aid (LGA) from the State of Minnesota may be reduced again in the future; so, he would like to find areas of the City's budget that can be reduced now.

Council Member Ollig stated that he is not against the City of Winsted's employees. He continued by stating that the City's employees are excellent; but, he does believe that if any of the employees would decide to terminate their position with the City of Winsted because their health insurance benefit has been reduced, that there would be a line of applicants applying for the vacant position.

Mayor Stotko asked Council Member Ollig what his plan would be for the money the City would save if they reduce the 2013 Budget.

Council Member Ollig stated that if LGA is reduced then the City would not have to reduce the City's future budgets if the City Council makes cuts to the budget now.

Council Member Ollig stated that his position is to make cuts to the budget now that do not hurt before the City is in a position that they have to make cuts that do hurt.

Mayor Stotko stated that he is concerned about LGA being approximately thirty-four percent (34%) of the General Fund Revenue Budget and what could happen if it would be reduced or eliminated. He continued by stating that he believes the City should develop a plan to start weaning themselves from LGA now.

Council Member Quast stated that she did inquire with several area businesses about their health insurance benefits and she agrees with Council Member Ollig that the City should offer payment of the health insurance premiums at eighty-five percent (85%) for the employee and the employee's dependents at sixty percent (60%).

Council Member Quast stated that she would like to see the City have the budget reduced; so, the City can set aside some money for the future.

Council Member Quast continued by stating that as a Council Member she hears concerns from the City's taxpayers regarding the wages and health insurance benefits of the City's employees and she listens.

Council Member Ollig stated that he publically promised he would do what he could to reduce the City's 2013 Budget; so, whether the 2013 Budget is reduced or not, he is driven by his promise.

The City Council discussed the possibility of a reduction in LGA.

Council Member Mochinski stated that if the City is going to freeze and/or reduce employee wages and benefits, the City Council must take this into consideration when the various Winsted organizations approach the City with funding requests. The City may not be able to provide them with funding.

Council Member Schulenberg stated that he believes that sometimes when taxpayers talk about the wages and/or benefits of the City's employees, they are bullying the City Council and he does not like it. He continued by stating that he believes that the City of Winsted has some of the best employees.

Council Member Quast stated that the City of Winsted does have good employees but they also know the issues that the City Council is facing in regards to the City's budget.

Mayor Stotko stated that the unfortunate part about the discussions regarding the wages and/or benefits of the City's employees is that the information is published in the local newspaper and so it is public knowledge. As a result, there is some sensitivity because when a City employee receives an increase it is published in the local newspaper. He continued by stating that it is difficult to compare the wages and/or benefits of the City employees to employees of the private sector. You are not really comparing "apples-to-apples" and "oranges-to-oranges."

Council Member Ollig stated that public perception is part of the issue.

Council Member Ollig stated that if LGA is reduced in the future, the City Council has a responsibility to the taxpayers that the sewer system is working, that they can get water, the streets are repaired, and that City staff and departments have the equipment and/or training that they need to do their jobs. If the City Council has to make difficult decisions in the future in regards to reducing the City's budget, the City Council has to keep the aforementioned services in place and plan for the future.

Council Member Quast stated that she only remembers one (1) time that the City Council made the decision to freeze the employee's wages. The City Council concurred. She continued by stating that the City Council does appreciate their employees and it is not common practice to freeze the wages of the employees.

Mayor Stotko stated that he believes that a reduction in health insurance premium payments by the City from eighty-five percent (85%) for the employee and sixty percent (60%) for the employee's dependents is too harsh of a cut. He continued by stating that he believes that in

appreciation for the City's employees, their health insurance premium should be paid one hundred percent (100%) by the City and the possibility of a reduction in the future if the City's LGA is reduced. As far as the dependents, he would be open to any suggestions on what portion of their health insurance premium should be paid by the City.

Council Member Ollig recommended that the City pay for one hundred percent (100%) of the employee's health insurance premium and sixty percent (60%) of the employee's dependent's health insurance premium.

Council Member Quast asked Mr. Martens and Ms. Boelter about what percentage they would like to see the City cover for employee health insurance premiums. Mr. Martens stated that it would depend on the employee and the number of dependents they may have.

Mr. Martens stated that in regards to the public perception of the wages and benefits of the City employees, the staff did conduct a survey comparing the wages and benefits with other Minnesota cities. If the City Council would like to compare the wages and benefits of City employees to those of the employees in the private Winsted businesses, then a new survey should be done.

Mr. Martens responded to Council Member Quast's comment that the City employees understand what issues the City Council is facing in regards to the City's budget. He stated that he does not believe that all of the employees know what issues the City Council is facing because there is not a specific goal that the City Council is asking staff to reach when it comes to reducing the budget. Mr. Martens recommended that the City Council set a specific goal for reducing the budget and then he can present it to the staff.

The City Council discussed what percentage of health insurance premiums should be paid for the City's employees and/or their dependents.

Council Member Ollig stated that whatever changes the City Council makes to employee and/or their dependent benefit coverage, it will affect each employee differently.

Council Member Ollig recommended that the 2013 Budget be reduced by three percent (3%).

The City Council discussed the importance of the bi-monthly Work Sessions and whether they should continue.

Mayor Stotko stated that he believes the Work Sessions are important for discussing certain issues. The City Council agreed.

Council Member Ollig recommended that the City Council consider not being paid for their attendance at the bi-monthly Work Sessions. He continued by stating that it would reduce the budget by approximately \$3,000 annually. Council Member Ollig stated that if the City's employees are going to have a salary step freeze and a reduction in health insurance premium coverage, it would be the City Council's way of making a contribution in reducing the budget.

The City Council discussed and agreed that they should not be paid for attending the bi-monthly Work Sessions.

Council Member Ollig stated that it would be his goal to reduce the 2013 Budget by three percent (3%).

Council Member Ollig stated that if you publically state that the City plans to reduce the 2013 Budget by three percent (3%), the taxpayers are not going to care about what areas of the budget are being cut.

The City Council directed Mr. Martens to reduce the health insurance premium payments with the option that the City pays one hundred percent (100%) for the employee and seventy percent (70%) for the employee's dependent; which would result in a savings of approximately \$4,000. The City Council also directed Mr. Martens to eliminate their pay for attending Work Sessions; which would result in a savings of approximately \$3,000.

Mayor Stotko asked what the proposed three percent (3%) reduction will do to future proposed projects. Council Member Ollig stated that the City will find a way to fund the projects.

Mr. Martens stated that any proposed projects that are related to the water and/or sewer would be funded by the Water and Sewer Funds. He continued by stating that he is currently preparing the Water and Sewer Funds and the water and sewer rates will have to increase in the year 2013. Some projects can be assessed to the property owners.

Council Member Ollig stated that future projects will have to be prioritized.

Mr. Martens stated the City's current financial situation is strong.

Mr. Martens gave a brief overview of the recommendation he may be making in regards to the increase to the year 2013 water and sewer rates.

### **III. Local Board of Appeals Training**

Mr. Martens stated that the Local Board of Appeals training was added to the Work Session for the City Council to discuss. He continued by stating that the City Council members have to decide if they want to continue to attend training to be able to conduct the Local Board of Appeals meeting at the City level or do they want to discontinue training and allow the McLeod County Commissioners to conduct and/or make decisions at the Local Board of Appeals meeting.

The City Council discussed and agreed that the Local Board of Appeals meeting should be conducted by the McLeod County Commissioners.

Mr. Martens stated that he will do some more research on what other McLeod County cities do in regards to their Local Board of Appeals meetings and present the information to the City Council at a future meeting.

### **IV. Utility Billing Insert – Government Content**

Mr. Martens stated that Council Member Quast has requested that the City Council discuss the governmental items published in the monthly Utility Billing insert.

Council Member Quast recommended that the Utility Billing insert contain information about the dates, times and location of the various City meetings and/or other functions that are going to be held at City Hall.

Council Member Mochinski stated that he believes that it is important that the City Council help the various Winsted volunteer organizations by including their meetings, activities and/or events in the Utility Billing insert.

Council Member Quast stated that it is important to include the City of Winsted's meeting dates, times and locations in the Utility Billing insert.

Council Member Mochinski stated that there have been no issues in the past eight (8) years with information that has been included in the Utility Billing insert and the City should continue to put the items they have been in the insert.

### **V. Other**

#### **a) Waste Management – Quarterly Report**

Mr. Martens stated that the quarterly report from Waste Management has been removed from the Regular City Council meeting agenda. The new Waste Management representative to the City of Winsted was unaware of the previously scheduled report.

#### **b) Howard Lake, Waverly, Winsted (HLWW) School District – Facilities Survey**

Mr. Martens stated that the HLWW School District is going to be conducting a Facilities Survey and asked if they could place some of the blank surveys at City Hall for residents

to fill out that do not have computer access.

The City Council discussed and agreed that the surveys can be placed at City Hall.

**c) Winsted Municipal Airport – Capital Improvement Plan Update**

Mr. Martens stated that an updated Capital Improvement Plan (CIP) for the Winsted Municipal Airport is available for each City Council Member at their location on the Council dais and will be discussed at the Regular City Council meeting.

**VI. Adjourn**

**Council Member Ollig motioned to adjourn the meeting. Council Member Mochinski seconded the motion. Motion carried 5-0.**

The meeting was adjourned at 5:55 p.m.

*Steve Stotko*

Steve Stotko  
Mayor  
City of Winsted

ATTEST:

*Deborah R. Boelter*

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