

City of Winsted
 Special City Council Work Session
 Vollmer Room
 Tuesday, October 31, 2017
 1:00 p.m.

Present: Mayor Steve Stotko
 Council Member George Schulenberg
 Council Member Patty Fitzgerald
 Council Member Tom Ollig
 Council Member Mike Henrich – Arrived at 1:40 p.m.

Staff Present: Mr. Daniel Tienter, City Administrator
 Ms. Raquel Kirchoff, City Clerk-Treasurer
 Mr. Dave Meyer, Maintenance Supervisor – Arrived at 1:45 p.m.

I. Call to Order

Mayor Stotko called the meeting to order at 1:06 p.m.

II. Recommended 2018 Budget

a.) Introduction

Mr. Tienter stated that the City Council will review the 2018 Budget in a series of daily Work Sessions this week, rather than portions of the budget in regularly scheduled City Council Work Sessions.

Mr. Tienter stated that the City Council will conduct the Truth-in-Taxation Public Hearing on December 5, 2017 and adopt the 2018 Budget at the December 19, 2017 City Council Meeting.

Mr. Tienter stated that the recommended 2018 budget assumes increases as follow.

Recommended 2018 Budget Projection Assumptions, Selected	
Revenues	Expenditures
1.00% Fees, Fines and Permit Revenue	1.00% Materials and Supplies
2.00% Fire Department Per Unit Fee	3.00% Employee Wages
2.00% General Property Tax Levy	9.00% Employee Benefits

Mr. Tienter reviewed the recommended 2018 Budget Summary as follows.

Recommended 2018 Budget Summary, Selected						
Fund No.	Fund	2017F		2018R		Variance (NCC)
		Expenditure	Revenue	Expenditure	Revenue	
600	Capital Improvement Fund	\$ 5,266,531	\$ 5,307,809	\$ 7,310,932	\$ 6,348,015	\$ 962,917
101	General	\$ 1,753,234	\$ 1,774,311	\$ 1,861,420	\$ 1,887,870	\$ (26,450)
602	Sewer	\$ 587,565	\$ 678,432	\$ 767,742	\$ 759,502	\$ 8,240
535	Crossover Refunding Debt Service (2012A)	\$ 342,427	\$ 350,430	\$ 202,748	\$ 206,000	\$ (3,253)
601	Water	\$ 362,894	\$ 367,289	\$ 357,198	\$ 385,203	\$ (28,005)
703	Fire Department Operations	\$ 205,335	\$ 206,907	\$ 27,690	\$ 27,201	\$ 489
612	Airport Operations	\$ 78,283	\$ 78,921	\$ 70,452	\$ 72,059	\$ (1,607)
530	EDA Lease Revenue Debt Service (2007B)	\$ 75,212	\$ 75,212	\$ 78,353	\$ 78,353	\$ -
536	Westgate Drive Debt Service (2012B)	\$ 62,565	\$ 66,761	\$ 61,915	\$ 63,699	\$ (1,784)
402	Kingsley Street Debt Service (2016A)	\$ -	\$ -	\$ -	\$ -	\$ -
704	Fire Department Capital Improvement Fund	\$ 48,848	\$ 95,325	\$ 524,090	\$ 327,435	\$ 196,656
533	City Hall Debt Service (2008B)	\$ -	\$ 40,208	\$ -	\$ -	\$ -
532	Equipment Certificate Debt Service (2008A)	\$ 31,125	\$ 31,125	\$ -	\$ -	\$ -
614	Cable	\$ 8,900	\$ 16,000	\$ -	\$ -	\$ -
102	Forfeiture	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
610	Airport Improvement	\$ 3,000	\$ 7,200	\$ -	\$ 7,200	\$ (7,200)
402	Revolving Loan	\$ -	\$ -	\$ -	\$ -	\$ -
410	Tax Increment Financing District No. 2-7	\$ -	\$ -	\$ -	\$ -	\$ -
	Total	\$ 8,828,918	\$ 9,098,930	\$ 11,265,538	\$ 10,165,536	\$ 1,100,002

Mr. Tienter stated that the City has an opportunity to purchase a used ladder truck for the Winsted Volunteer Fire Department (WVFD) from the City of Eagan. A ladder truck is planned for within the Capital Improvement Plan (CIP) for the WVFD. In 2014, the City attempted to purchase this same ladder truck from the City of Eagan for \$450,000. Mr. Tienter stated that a new ladder truck would cost approximately \$1.35 Million. The City of Eagan was not ready to purchase a new truck at that time and decided to keep their existing truck.

Mr. Tienter stated that recently, the City contacted the City of Eagan again because the ladder truck is the next piece of equipment to purchase for the WVFD. The City of Eagan is currently in the process of replacing their ladder truck and would consider offering it for \$330,000.

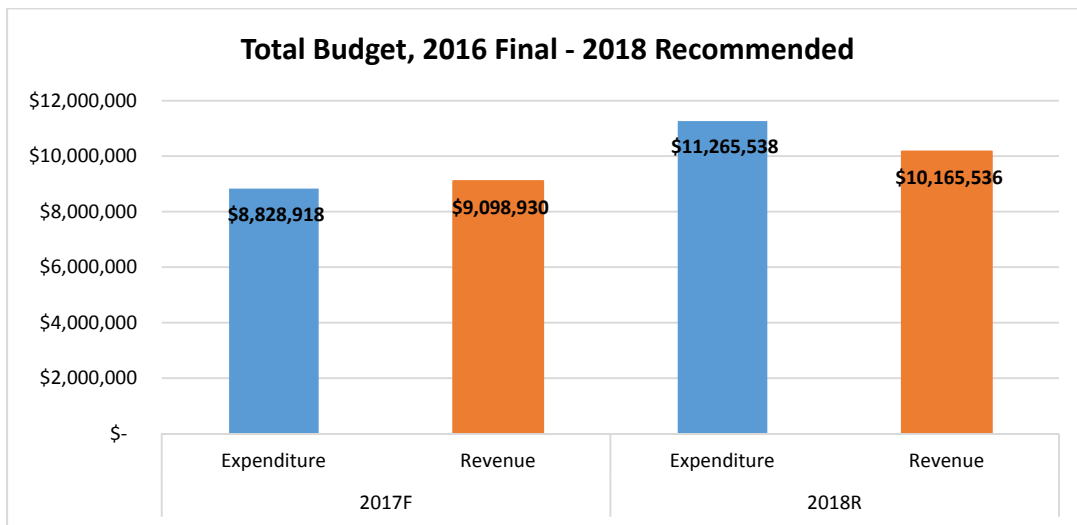
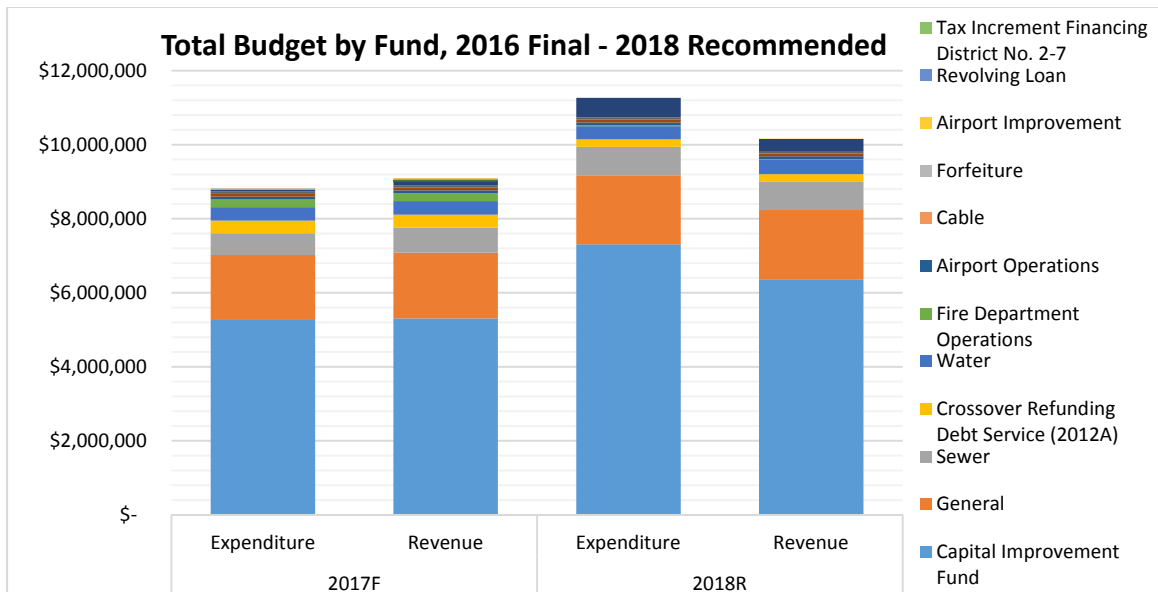
Mr. Tienter stated that some WVFD Members visited the City of Eagan to examine the truck. The City of Eagan stated that approximately \$80,000 of repairs were completed on the truck in 2016. The WVFD members looked at the truck and its maintenance records and are comfortable moving forward with the purchase of the truck.

Mr. Tienter explained the process of purchasing the vehicle from the vendor that the City of Eagan was trading this truck to for their new ladder truck. Mr. Tienter stated that the vendor has requested that the City provide them with a Letter of Intent. If the City wants the truck, it must act now and provide the Letter of Intent.

Mr. Tienter stated that the purchase of the truck has not yet been discussed with the WVFD Fire Board; however, the WVFD Fire Board has been made aware through past WVFD CIP presentations that the City intended to purchase a ladder truck in 2018 and was planning on spending \$500,000 for a used ladder truck within the plan.

The City Council Members discussed the purchase of the ladder truck and were in favor of proceeding with the Letter of Intent.

Mr. Tienter reviewed the following information regarding the budget.



b.) Cable Fund

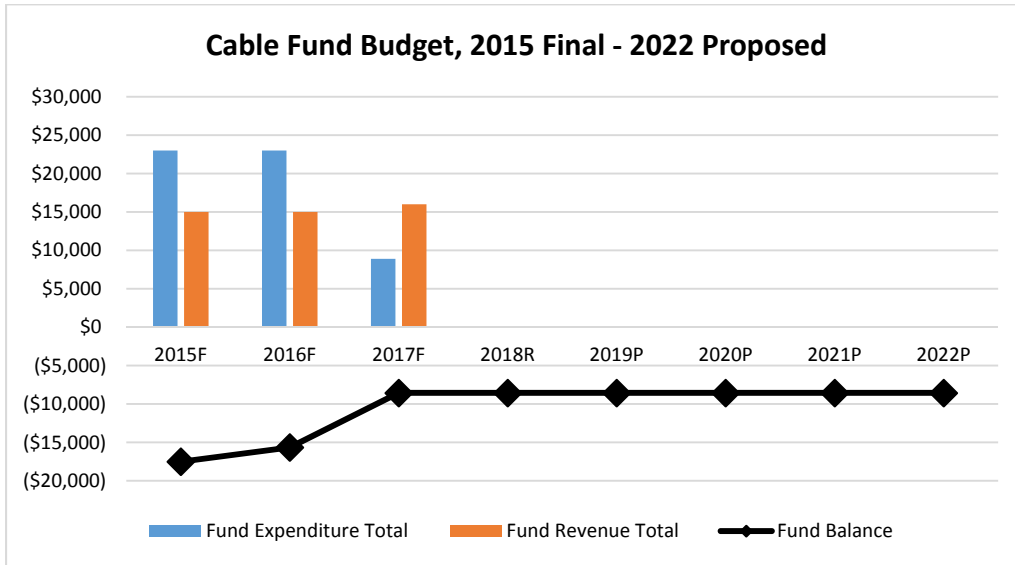
Mr. Tienter stated that the Recommended 2018 Cable Fund assumes the following:

- Elimination of the Cable Fund as recommended by the City Auditor, including:

- Appropriation of the existing expenditures (approximately \$8,900) and revenues (approximately \$16,000) to the General Fund to support regular operations; and
- Forgiveness of the estimated Cable Fund Balance deficit by the General Fund (approximately \$8,561).

- The elimination of the Cable Fund would require formal City Council action.

Mr. Tienter reviewed the following information related to the Cable Fund.



c.) Water Fund

Mr. Tienter stated that the Recommended 2018 Water Fund Budget assumes the following:

- 19.05% decrease in gallons sold, or approximately 56.1 million gallons. This is down from 62.4 million sold gallons in 2017;
- 0.30% increase in water sales based on an estimated change in eligible units;
- 2.00% increase in Water Minimum and Water Rate (per 1,000 gallons) fees in 2018; and a 5.00% increase thereafter annually;
- Commencement of the Water Tower Rehabilitation Project in 2018, with repayments to the Drinking Water Revolving Loan Fund beginning in 2019; and
- Repayment of bond proceeds for a McLeod Avenue Area Improvements Project beginning in 2020.

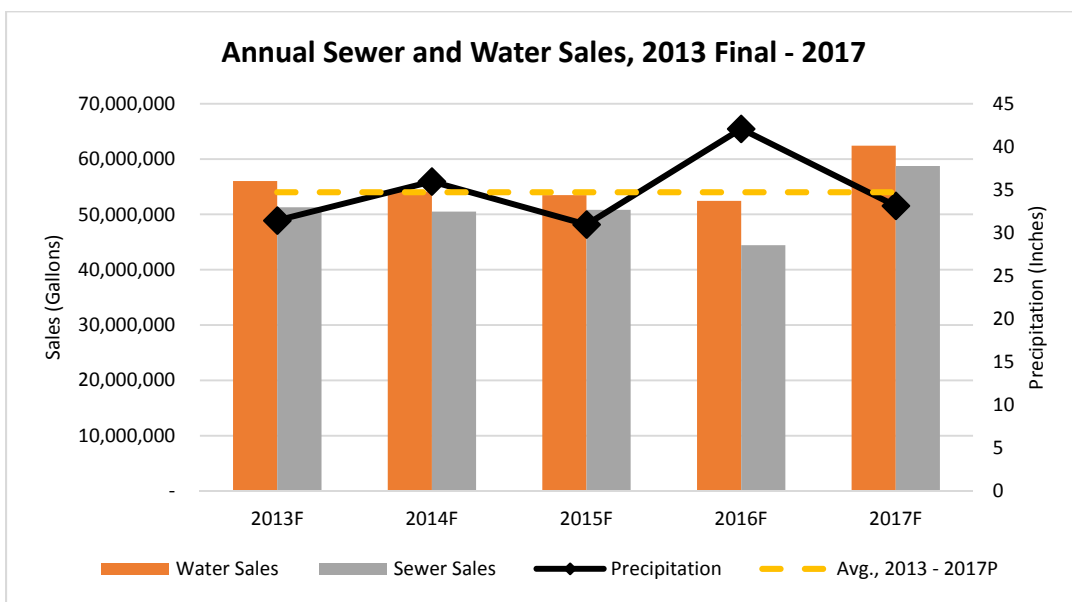
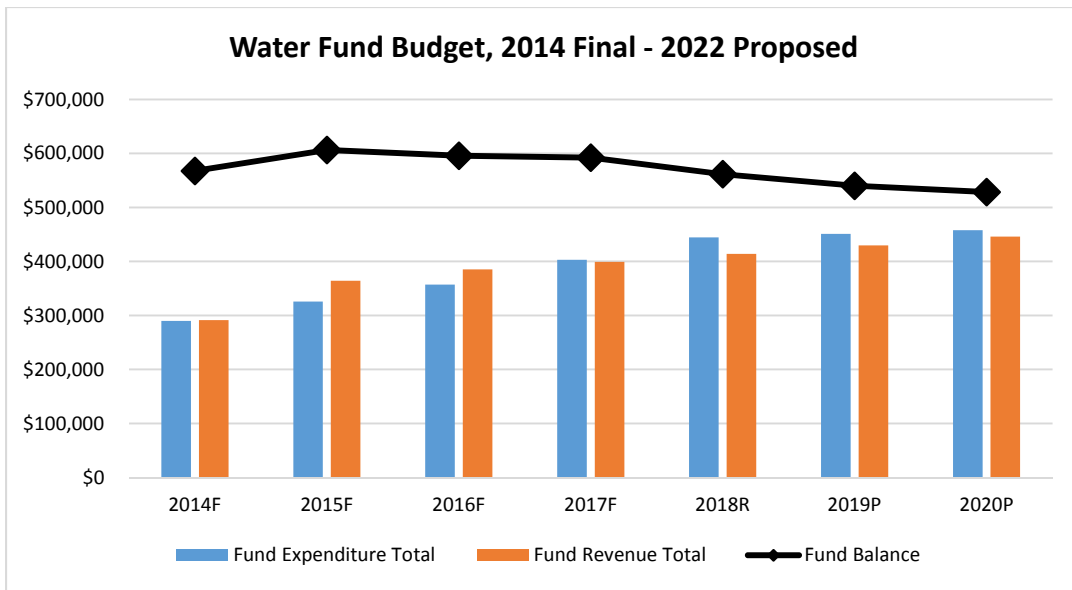
Mr. Tienter displayed the following Water Fund, Sales and Minimum Rate Summary.

Water Fund, Sales and Minimum Rate Summary, 2015F - 2022P								
Fee	2015F	2016F	2017F	2018R	2019P	2020P	2021P	2022P
Water Sales	\$3.24	\$3.30	\$3.37	\$3.44	\$3.61	\$3.79	\$3.98	\$4.18
Water Minimum	\$5.87	\$5.99	\$6.11	\$6.23	\$6.54	\$6.87	\$7.21	\$7.57
Percent Change, Annual								
Water Sales	1.89%	2.00%	2.00%	2.00%	5.00%	5.00%	5.00%	5.00%
Water Minimum	2.09%	2.00%	2.00%	2.00%	5.00%	5.00%	5.00%	5.00%

Mr. Tienter stated that

- Since 2015, Water Fund rates have increased about 6.12%.
 - Per the Recommended 2018 Budget, projected increases in Water Fund rates will total approximately 28.99% by the end of 2022.
 - On average, Water Fund rates will increase approximately 3.62% over the eight year period outlined above.

Mr. Tienter reviewed the following information related to the Water Fund.



d.) Sewer Fund

Mr. Tienter stated that the Recommended 2018 Sewer Fund Budget assumes the following:

- 12.37% decrease in gallons sold, or approximately 51.5 million gallons. This is down from 58.8 million gallons in 2017;
- 0.30% increase in sewer sales based on an estimated change in eligible units;
- 10.00% increase in Sewer Minimum and Sewer Rate (per 1,000 gallons) fees in 2018; and a 10.00% increase thereafter annually until 2021; and
- Repayment of bond proceeds for a McLeod Avenue Area Improvements Project beginning in 2020.

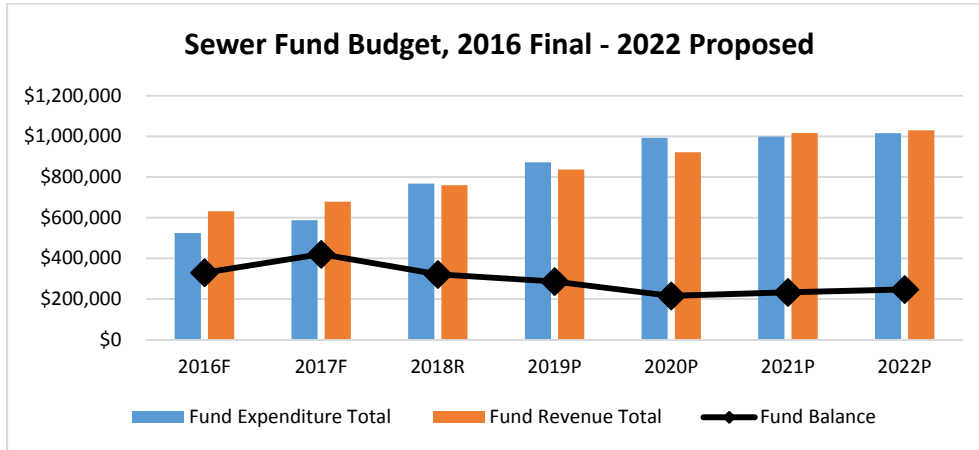
Mr. Tienter displayed the following Sewer Fund, Sales and Minimum Rate Summary.

Sewer Fund, Sales and Minimum Rate Summary, 2013F - 2022P										
Fee	2013F	2014F	2015F	2016F	2017F	2018R	2019P	2020P	2021P	2022P
Sewer Sales	\$7.81	\$8.43	\$9.10	\$10.15	\$11.36	\$12.50	\$13.75	\$15.13	\$16.64	\$16.80
Sewer Minimum	\$6.18	\$6.67	\$7.20	\$8.03	\$8.99	\$9.89	\$10.88	\$11.97	\$13.16	\$13.30
Percent Change, Annual										
Sewer Sales	8.02%	7.94%	7.95%	11.50%	12.00%	10.00%	10.00%	10.00%	10.00%	1.00%
Sewer Minimum	8.04%	7.93%	7.95%	11.50%	12.00%	10.00%	10.00%	10.00%	10.00%	1.00%

Mr. Tienter stated that

- Since 2013, Sewer Fund rates have increased about 60.06%.
 - Per the Recommended 2018 Budget, projected increases in Sewer Fund rates will total approximately 115.17% by the end of 2022.
 - On average, Water Fund rates will increase approximately 11.52% over the 10 year period outlined above.

Mr. Tienter reviewed the following information related to the Sewer Fund.



e.) Airport Operations Fund

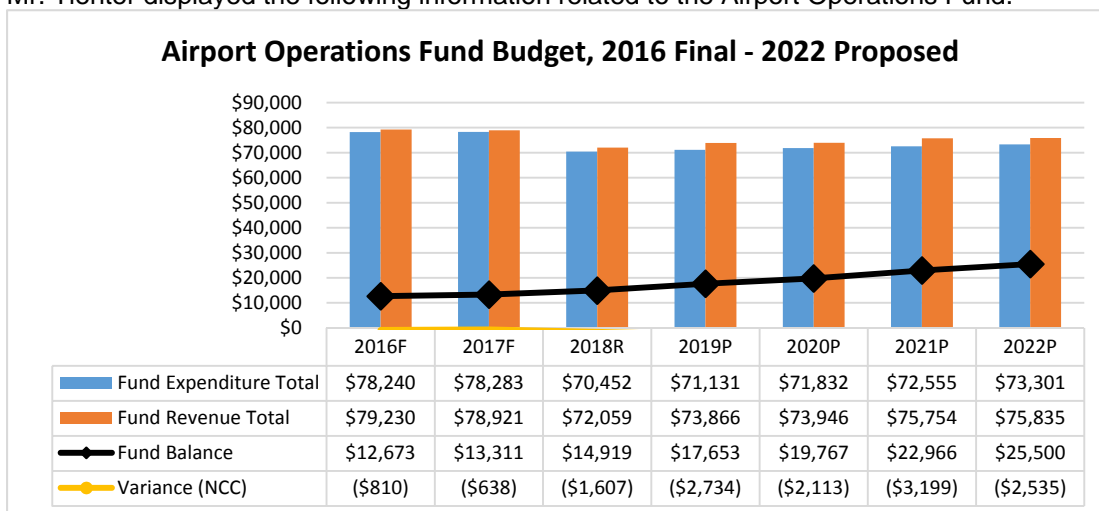
Mr. Tienter stated that the Recommended 2018 Airport Operations Fund assumes the following:

- No change in Airport Hangar Land Lease Fees;
- A decrease in operating transfer from the Airport Improvement Fund; and
- Use of property taxes to support Airport operations.

Mr. Tienter stated that according to the 2016 Financial Statements, the Airport Operations Fund currently maintains approximately \$105,900 as “Due to Other Funds.” Mr. Tienter stated that each year, the City collects approximately \$17,000 in property taxes from Airport hangars. In order to prevent the need for advances from the General Fund, City staff recommend appropriating a certain portion of the abovementioned property taxes. Mr. Tienter displayed and the City Council Members were in favor of the following property tax transfer strategy.

Property Tax Transfer Strategy		
Year	Percentage	Amount
2017	0%	\$0.00
2018	10%	\$1,727.79
2019	20%	\$3,455.57
2020	30%	\$5,183.36

Mr. Tienter displayed the following information related to the Airport Operations Fund.



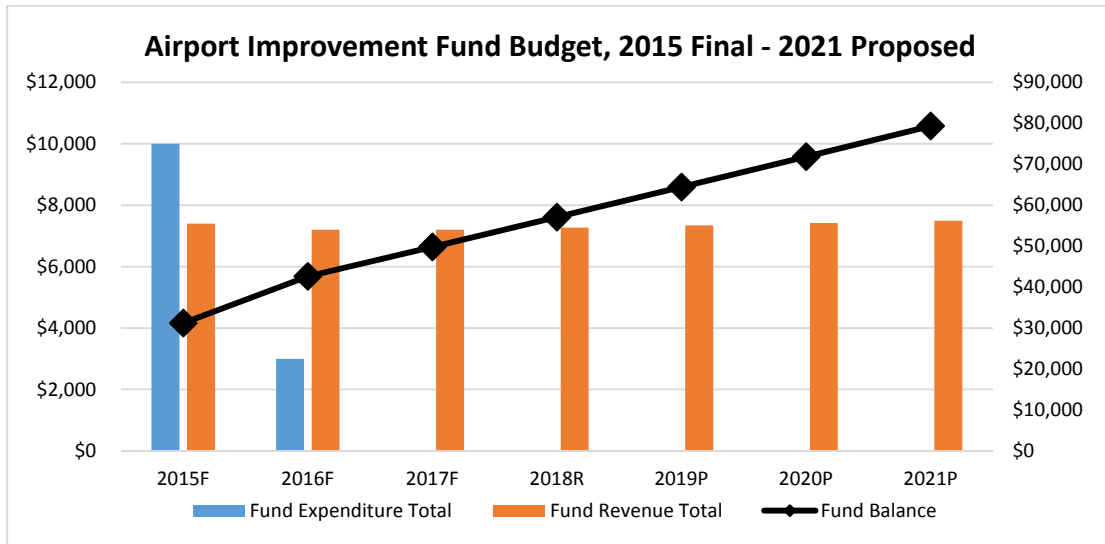
f.) Airport Improvement Fund

Mr. Tienter stated that the Recommended 2018 Airport Improvement Fund assumes the following:

- Elimination of the Operating Fund Transfer in anticipation of a Runway Improvement Project.
- At present, the Airport Capital Improvement Plan (CIP) assumes a paved surface for the purposes of Federal Aviation Administration (FAA) and Minnesota Department of Transportation (Mn/DOT) reporting.

Mr. Tienter stated that the FAA and Mn/DOT awarded an Airport Improvement Plan (AIP) Grant for the design and engineering of either project alternative.

Mr. Tienter reviewed the following information related to the Airport Improvement Fund.



III. Adjourn

Council Member Henrich motioned to adjourn the meeting. Council Member Fitzgerald seconded the motion. Motion carried 5-0.

The meeting was adjourned at 3:45 p.m.

Steve Stotka

Steve Stotka
Mayor
City of Winsted

ATTEST:

Raquel Kirchoff

Raquel Kirchoff, CMC
City Clerk-Treasurer
City of Winsted