

City of Winsted
 City Council Work Session
 Lewis Room
 Tuesday, December 5, 2017
 5:00 p.m.

Present: Mayor Steve Stotko
 Council Member Mike Henrich
 Council Member Tom Ollig
 Council Member George Schulenberg

Absent: Council Member Patty Fitzgerald

Staff Present: Mr. Dan Tienter, City Administrator
 Ms. Raquel Kirchoff, City Clerk-Treasurer

I. Call to Order

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

II. 2018 Recommended Winsted Volunteer Fire Department Budget

Mr. Daniel Tienter, City Administrator, stated that during the 2018 Budget Hearings, that took place on October 31 – November 2, 2017, there were outstanding questions related to the budget for the Winsted Volunteer Fire Department (WVFD). Since that time, the Winsted Fire Board has met and the WVFD budget is ready to be reviewed.

Mr. Tienter stated that the main change from the preliminary WVFD budget information is that the WVFD budget no longer includes \$26,800 for a Paid On-Call Compensation system. The WVFD is in the process of working with a consultant to develop an Operations Plan, which is not yet completed. City staff opted to address the Fire Board excluding this item, knowing that it would be presented to them with other items from the new Operations Plan for the 2019 budget.

Mr. Tienter reviewed the following information related to the WVFD budget after the \$26,800 for a Paid on Call system had been removed from the information.

Fire Department Operations Fund Assumptions and Considerations

- The Recommended 2018 Fire Department Operations Fund assumes the following:
 - 0.30% increase in eligible units (same growth projection as the Water and Sewer Funds).
- The Recommended 2018 Fire Department Operations Budget does not include:
 - Placeholder for a paid, on-call compensation system (~\$26,800);
 - Additional revenue from auto or home insurance claims; or
 - Modifications to the fee-for-service system.

Recommended 2018 Budget Projection Assumptions, Selected	
Revenues	Expenditures
0.00% Local Government Aid	1.00% Materials and Supplies
1.00% Other Revenue	3.00% CIP Transfer
2.00% Fire Department Per Unit Fee	

2016 Final – 2022 Proposed Fire Unit Counts

Organization	2016	2017	2018R	2019P	2020P	2021P	2022P
City of Winsted	991	994	997	1000	1003	1006	1009
Hollywood Township	80	80	80	81	81	81	81
Victor Township	136	136	137	137	138	138	138
Winsted Township	216	217	217	218	219	219	220
Woodland Township	38	38	39	39	39	39	39
Total	1461	1465	1471	1475	1479	1484	1488

- Under the current projections, City staff estimate the Fire Protection District will add approximately:
 - Six units in 2018 Recommended; and
 - 18 units from 2018 Recommended through 2022 Proposed.

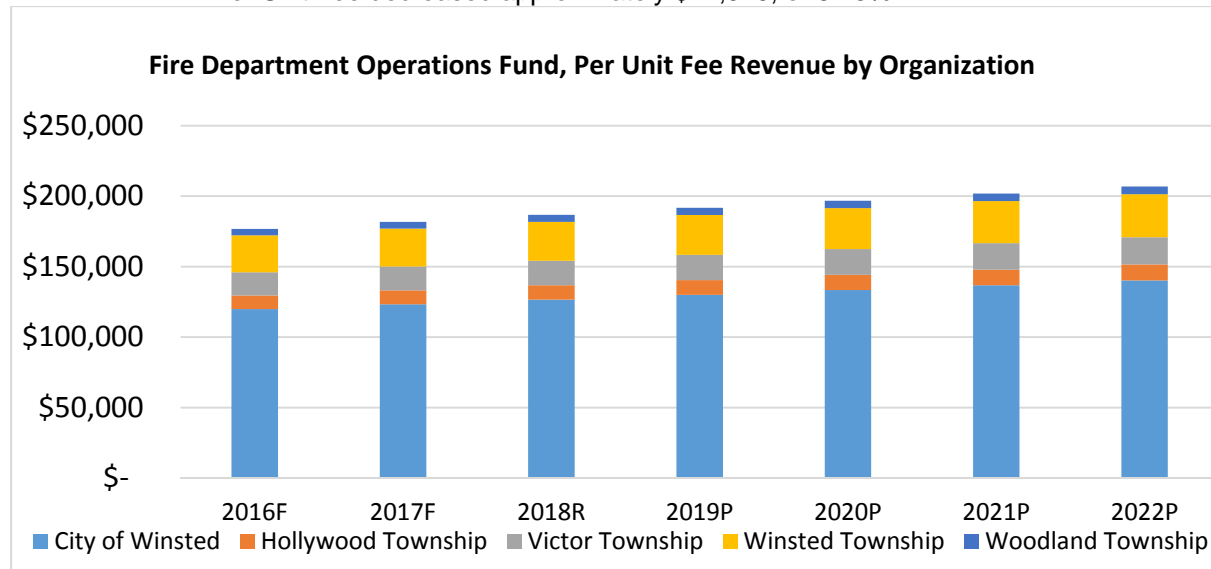
- Both amounts are an increase of one unit compared to the Recommended 2018 Budget Hearings Presentation

2016 Final – 2022 Proposed Fire Protection Revenue Summary

	2016F	2017F	2018R	2019P	2020P	2021P	2022P	Change, 2017 v. 2018 (\$)
Per Unit Cost	\$ 121.00	\$ 124.00	\$ 127.00	\$ 130.00	\$ 133.00	\$ 136.00	\$ 139.00	\$ 3.00
City of Winsted	\$ 119,911	\$ 123,253	\$ 126,613	\$ 129,993	\$ 133,392	\$ 136,810	\$ 140,247	\$ 3,361
Hollywood Township	\$ 9,680	\$ 9,950	\$ 10,221	\$ 10,494	\$ 10,768	\$ 11,044	\$ 11,322	\$ 271
Victor Township	\$ 16,456	\$ 16,915	\$ 17,376	\$ 17,840	\$ 18,306	\$ 18,775	\$ 19,247	\$ 461
Winsted Township	\$ 26,136	\$ 26,864	\$ 27,597	\$ 28,333	\$ 29,074	\$ 29,819	\$ 30,569	\$ 732
Woodland Township	\$ 4,598	\$ 4,726	\$ 4,953	\$ 5,085	\$ 5,218	\$ 5,352	\$ 5,486	\$ 227
Total	\$ 176,781	\$ 181,707	\$ 186,760	\$ 191,745	\$ 196,759	\$ 201,800	\$ 206,871	\$ 5,052

Percent Change 2.79% 2.78% 2.67% 2.61% 2.56% 2.51%

- Under the Recommended 2018 Budget, City staff recommend a 2.78% increase in the “Per Unit” fee as established by the City Council.
 - On November 21, 2017, the Fire Board recommended the City Council adopt the above “Per Unit” fee as part of the Recommended 2018 Budget.
 - Compared to the Recommended 2018 Budget Hearings Presentation, the recommended “Per Unit” fee decreased approximately \$21,949, or 81.3%



Recommended 2018 Fire Department Operations Budget Summary

	2016F	2017F	Recommended Changes	2018R	2019P	2020P	2021P	2022P
Revenue	\$ 201,681	\$ 206,907	\$ 5,252	\$ 212,160	\$ 217,399	\$ 222,669	\$ 227,970	\$ 233,302
Expenditures	\$ 200,955	\$ 205,335	\$ (1,160)	\$ 204,174	\$ 207,149	\$ 210,196	\$ 213,319	\$ 216,519
Variance	\$ (726)	\$ (1,573)	\$ (6,413)	\$ (7,985)	\$ (10,250)	\$ (12,473)	\$ (14,651)	\$ (16,783)
Charge for Service	\$ 176,781	\$ 181,707	\$ 5,052	\$ 186,760	\$ 191,745	\$ 196,759	\$ 201,800	\$ 206,871
Unit Count	1,461	1,465	5	1,471	1,475	1,479	1,484	1,488
Per Unit Fee	\$ 121.00	\$ 124.00	\$ 3.00	\$ 127.00	\$ 130.00	\$ 133.00	\$ 136.00	\$ 139.00

- Based on the Unit Counts and Recommended 2018 Fire Department Operations Budget, the City will support approximately 67.8% of Fire Department expenditures.
 - No other political subdivision provides more than 15.0% of Fire Department Operations revenue.

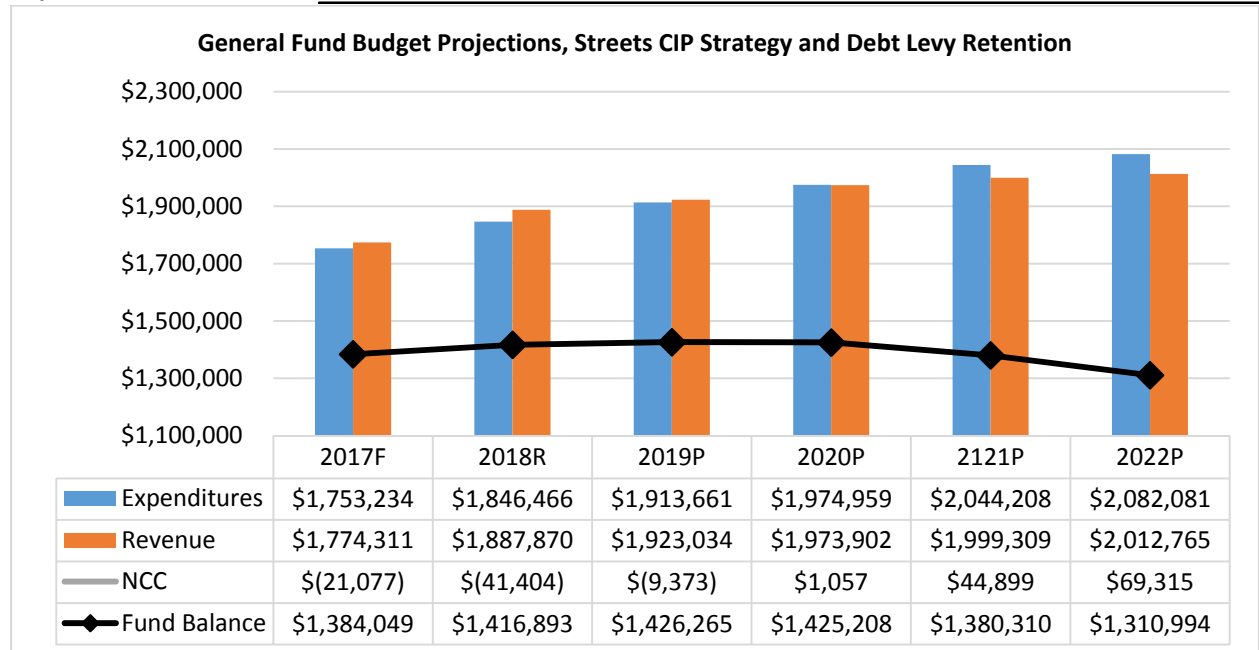
- The City anticipated issuing another Equipment Certificate for the purchase of a new Ladder Truck.
 - Based on negotiations with the City of Eagan, MN, the City plans to purchase their 2002 100' Ladder Truck for approximately \$330,000 – a net savings of \$170,000.
 - Given this cost savings, the City will no longer need to issue debt for the purchase, resulting in an estimated interest cost savings of \$37,707.

	EST. ENDING FUND BALANCE	
	ADDITIONAL CITY COST	EST. FUND BALANCE
Ending Fund Balance		399,489
2018	253,356	146,133
2019	(51,483)	197,616
2020	100,729	96,887
2021	(57,526)	154,413
2022	(55,713)	210,127
TOTAL	189,362	210,127

Mr. Tienter reviewed the following information related to the General Fund after the Paid On-Call Compensation System expenditure had been removed from the budget.

General Fund Expenditures, 2016 Final – 2018 Recommended

Department	2016 Budget	2017 Budget	Recommended Changes	Recommended 2018 Budget	Adopted 2017 v. Recommended 2018 (%)
41000 Mayor and City Council	\$ 51,367	\$ 51,349	\$ 2,170	\$ 53,519	4.23%
41300 Administration	\$ 244,882	\$ 236,447	\$ 15,214	\$ 251,661	6.43%
41500 Assessor	\$ 12,050	\$ 9,500	\$ 2,500	\$ 12,000	26.32%
41600 Legal Counsel	\$ 18,000	\$ 20,000	\$ -	\$ 20,000	0.00%
41700 Engineering	\$ 33,000	\$ 33,000	\$ -	\$ 33,000	0.00%
41900 General Government	\$ 386,253	\$ 410,832	\$ 27,199	\$ 438,031	6.62%
41910 Planning Commission	\$ 8,755	\$ 9,280	\$ 25	\$ 9,305	0.27%
42000 Public Safety	\$ 374,258	\$ 392,224	\$ 15,914	\$ 408,138	4.06%
42200 Fire Protection	\$ 119,790	\$ 123,256	\$ 3,357	\$ 126,613	2.72%
42400 Building Inspection	\$ 15,650	\$ 16,150	\$ 1,000	\$ 17,150	6.19%
43000 Public Works	\$ 370,502	\$ 380,537	\$ 20,652	\$ 401,189	5.43%
45200 Parks	\$ 47,900	\$ 49,700	\$ 5,200	\$ 54,900	10.46%
45500 Libraries	\$ 20,160	\$ 20,960	\$ -	\$ 20,960	0.00%
Expenditure Total	\$ 1,702,567	\$ 1,753,234	\$ 93,232	\$ 1,846,466	5.32%



Mr. Tienter reviewed the following information regarding the Property Tax Levy

General Fund Budget and Property Tax Levy History

General Budget and Levy History and Detail							
	Final 2017	Pre. 2018	Change 2017F v. 2018P (%)	Change 2017F v. 2018P (\$)	Rec. 2018	Change 2017F v. 2018R (%)	Change 2017F v. 2018R (\$)
Expenditures	\$ 1,753,234	\$ 1,850,477	5.55%	\$ 97,243	\$ 1,861,420	6.17%	\$ 108,186
Revenue	\$ 1,774,311	\$ 1,874,701	5.66%	\$ 100,390	\$ 1,887,870	6.40%	\$ 113,559
Total (NCC)	\$ (21,077)	\$ (24,224)	14.93%	\$ (3,147)	\$ (26,450)	25.49%	\$ (5,373)
General Levy	\$ 867,405	\$ 958,432	10.49%	\$ 91,027	\$ 954,601	10.05%	\$ 87,196
Debt Levy	\$ 346,450	\$ 320,000	-7.63%	\$ (26,450)	\$ 320,000	-7.63%	\$ (26,450)
Total	\$1,213,855	\$1,278,432	5.32%	\$ 64,577	\$ 1,274,601	5.00%	\$ 60,746

- For 2018, the Recommended 2018 General Property Tax Levy would increase 10.05% and the Recommended 2018 Debt Service Levy would decrease 7.63% resulting in a total Preliminary 2018 Property Tax Levy (Levy) increase of **5.00%**.
 - This change represents a decrease of 5.93%, or \$3,831, compared to the Preliminary 2018 Levy.

Recommended 2018 Property Tax Levy Discussion

- Given the aforementioned change in the placeholder for the Paid On–Call Compensation System, it is prudent for the City Council to consider a similar change for the General Property Tax Levy.
 - At present, the City Council may reduce the Recommended 2018 Property Tax Levy by approximately \$14,954.
 - No paid, on–call expenditures are anticipated until July, 2018; and
 - Any such expenditure could be funded through fund balance until 2019.
 - City staff recommend the City Council support any such expenditures with ongoing revenue beginning in 2019 Proposed, assuming the adoption of a Paid On–Call Compensation System.
 - Maintaining the Recommended 2018 Property Tax Levy allows the City Council optimal flexibility when considering any such policy decision.

Property Tax Capacity, Levy History and Analysis, Current

Property Tax History and Detail							
Year	Net Tax Capacity	Property Tax Levy	Net Tax Capacity Rate	Estimated Median Value Home	Net Property Tax	Net Property Tax Change (%)	Net Property Tax Change (\$)
Final 2015	\$ 1,262,652	\$ 1,122,654	88.91%	\$ 119,916	\$ 860	1.52%	\$ 13
Final 2016	\$ 1,486,206	\$ 1,156,154	77.79%	\$ 141,148	\$ 932	8.43%	\$ 72
Final 2017	\$ 1,653,241	\$ 1,213,855	73.42%	\$ 157,011	\$ 1,007	8.00%	\$ 75
Pre. 2018	\$ 1,668,380	\$ 1,274,601	76.40%	\$ 158,456	\$ 1,060	5.25%	\$ 53
Change (n)							
2017 v. 2018	\$ 15,139	\$ 60,746	2.97%	\$ 1,445	\$ 53	-2.75%	\$ (22)

- Assuming a 0.92% increase in valuation, the median valued residential homestead (~\$158,456) would pay approximately \$53.00 more per year or about \$4.40 per month.
- Under the Preliminary 2018 Budget, the Net Tax Capacity (NTC) rate would increase by 2.97% resulting in the second lowest NTC Rate in the past nine years.

Property Tax Capacity, Levy History and Analysis, Revised/Reduced by \$14,954

Property Tax History and Detail							
Year	Net Tax Capacity	Property Tax Levy	Net Tax Capacity Rate	Estimated Median Value Home	Net Property Tax	Net Property Tax Change (%)	Net Property Tax Change (\$)
Final 2015	\$ 1,262,652	\$ 1,122,654	88.91%	\$ 119,916	\$ 860	1.52%	\$ 13
Final 2016	\$ 1,486,206	\$ 1,156,154	77.79%	\$ 141,148	\$ 932	8.43%	\$ 72
Final 2017	\$ 1,653,241	\$ 1,213,855	73.42%	\$ 157,011	\$ 1,007	8.00%	\$ 75
Rec. 2018	\$ 1,668,380	\$ 1,259,647	75.50%	\$ 158,456	\$ 1,047	4.01%	\$ 40
Change (n)							
2017 v. 2018	\$ 15,139	\$ 45,791	2.08%	\$ 1,445	\$ 40	-3.99%	\$ (34)

- Assuming a 0.92% increase in valuation, the median valued residential homestead (~\$158,456) would pay approximately \$40.00 more per year or about \$3.37 per month.
- Under the Preliminary 2018 Budget, the Net Tax Capacity (NTC) rate would increase by 2.08% resulting in the second lowest NTC Rate in the past nine years.

Property Tax Capacity, Levy History and Analysis, Change

Property Tax Levy, Possible Changes							
Year	Property Tax Levy	Net Tax Capacity Rate	Estimated Median Value Home	Net Property Tax	Net Property Tax Change (%)	Net Property Tax Change (\$)	Property Tax Levy Change (%)
Final 2017	\$ 1,213,855	73.42%	\$ 157,011	\$ 1,007	n/a	n/a	n/a
Rec. 2018	\$ 1,274,601	76.40%	\$ 158,456	\$ 1,060	5.25%	\$ 53	5.00%
Rec. 2018A	\$ 1,259,647	75.50%	\$ 158,456	\$ 1,047	4.01%	\$ 40	3.77%
Change (n),							
2018 v. 2018A	\$ (14,954)	-0.90%	\$ -	\$ (12)	-1.23%	\$ (12)	-1.23%

- Compared to the Recommended 2018 Budget, the revised Recommended 2018 Property Tax Levy would decrease by approximately \$14,954.
- The change would result in a Recommended 2018 Property Tax Levy increase of 3.77%.
- The reduction would decrease the NTC Rate by 0.90% and result in an annual savings of approximately \$12, or \$1.00 per month.

Recommended 2018 Budget Cost Calculator, Current

Recommended 2018 Budget, Cost Calculator					
Tax or Fee	2017	2018	Change (\$)	Change (%)	Notes
Private Responsibility					
Property Tax Levy	\$ 1,006.94	\$ 1,059.76	\$ 52.83	5.25%	(1)
Water Minimum	\$ 73.29	\$ 74.75	\$ 1.47	2.00%	
Water Rate	\$ 242.70	\$ 247.56	\$ 4.85	2.00%	(2)
Sewer Minimum	\$ 107.90	\$ 118.69	\$ 10.79	10.00%	
Sewer Rate	\$ 818.21	\$ 900.04	\$ 81.82	10.00%	(2)
Park Improvement Fee	\$ 18.90	\$ 19.85	\$ 0.95	5.00%	
<i>Subtotal</i>	\$ 2,267.94	\$ 2,420.64	\$ 152.70	6.73%	
Public Responsibility					
"Per Unit" Fire Protection Fee	\$ 124.00	\$ 127.00	\$ 3.00	2.42%	
Total	\$ 2,391.94	\$ 2,547.64	\$ 155.70	6.51%	

(1) Assumes a 0.92% increase in valuation on a median-valued homestead.

(2) Assumes monthly usage of 6,000 gallons.

- Across all funds and activities, the Recommended 2018 Budget results in a total cost increase of about \$153, or 6.73%, per household, based on the abovementioned assumptions.

Recommended 2018 Budget Cost Calculator, Revised

Recommended 2018 Budget, Cost Calculator					
Tax or Fee	2017	2018	Change (\$)	Change (%)	Notes
Private Responsibility					
Property Tax Levy	\$ 1,006.94	\$ 1,047.33	\$ 40.39	4.01%	(1)
Water Minimum	\$ 73.29	\$ 74.75	\$ 1.47	2.00%	
Water Rate	\$ 242.70	\$ 247.56	\$ 4.85	2.00%	(2)
Sewer Minimum	\$ 107.90	\$ 118.69	\$ 10.79	10.00%	
Sewer Rate	\$ 818.21	\$ 900.04	\$ 81.82	10.00%	(2)
Park Improvement Fee	\$ 18.90	\$ 19.85	\$ 0.95	5.00%	
<i>Subtotal</i>	\$ 2,267.94	\$ 2,408.20	\$ 140.27	6.18%	
Public Responsibility					
"Per Unit" Fire Protection Fee	\$ 124.00	\$ 127.00	\$ 3.00	2.42%	
Total	\$ 2,391.94	\$ 2,535.20	\$ 143.27	5.99%	

(1) Assumes a 0.92% increase in valuation on a median-valued homestead.

(2) Assumes monthly usage of 6,000 gallons.

- Across all funds and activities, the Recommended 2018 Budget results in a total cost increase of about \$140, or 6.18%, per household, based on the abovementioned assumptions.

Recommended 2018 Property Tax Levy Discussion

- Either property tax levy scenario responds to the various budget cost pressures while:
 - Remaining below the trend line of inflation for non-Streets CIP expenses;
 - Remaining competitive with surrounding communities;
 - Providing for predictable and stable property tax levy change in the future;
 - Continuing the Streets CIP funding strategy;
 - Supporting certain recommendations of the pending Fire Department Strategic Operations Plan; and
 - Allowing the City Council to rebuild General Fund Balance during a period of capital intensive projects.
- Based on the pending considerations or a Paid On-Call Compensation System and other cost pressures, City staff recommend the City Council maintain the current Recommended 2018 Property Tax Levy change (i.e., 5.00%).

Mr. Tienter asked for questions from the City Council Members.

Council Member Henrich asked if there were negative comments toward the purchase of the fire truck from the City of Eagan at the Winsted Fire Board meeting. Mr. Tienter stated that there were questions about the process to obtain the truck. Once the rationale was explained, those in attendance seemed comfortable and understood why the City moved as quickly as it did and did not go through the regular Fire Board process. Mr. Tienter stated that those in attendance were supportive.

Council Member Henrich stated that he was in favor of the current Recommended 2018 Property Tax Levy change of 5.00%. If the City decides to implement a Paid On-Call Compensation System for the WVFD in 2018, he prefers having the money budgeted for rather than taking it from Fund Balance.

The City Council Members discussed and were in favor of a 5.00% increase, which shows a reduction from the Preliminary Levy.

Mr. Tienter stated that the City Council will consider setting the Final Levy at 5.00% at the December 19, 2017 City Council Meeting.

III. Other

a) Amended City Council Consent Agenda – December 5, 2017

Mr. Tienter stated that the Consent Agenda for the Regular City Council Meeting had been amended to include "Item j. Sanitary Sewer Lift Stations Improvements" to authorize Bolton and Menk, Incorporated, to prepare preliminary design, final design, and other activities related thereto, for the proposed Sanitary Sewer Lift Stations Improvements Project and supporting activities in the City of Winsted, for a cost not to exceed \$64,000.

b) Winsted Municipal Airport Commission

Mr. Tienter stated that the application period for the Winsted Municipal Airport Commission is closed. Six applications were received. Interviews will occur for the two resident positions because three applications were received.

c) City Council Goal Setting Retreat – January 25, 2018

Mr. Tienter stated that the City Council will hold a Goal Setting Retreat on January 25, 2018 in the Vollmer Room from approximately 9 a.m. – 2 p.m.

IV. Adjourn

Council Member Ollig motioned to adjourn the Work Session. Council Member Schulenberg seconded the motion. Motion carried 4-0.

The Work Session was adjourned at 5:38 p.m.

Steve Stotko

Steve Stotko
Mayor
City of Winsted

ATTEST:

Raquel Kirchoff

Raquel Kirchoff, CMC
City Clerk-Treasurer
City of Winsted