

City of Winsted
City Council Work Session
Lewis Room
Tuesday, November 15, 2016
5:00 p.m.

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

Staff Present: Mr. Daniel Tienter, City Administrator
Ms. Raquel Kirchoff, City Clerk-Treasurer
Mr. Jake Saulsbury, City Engineer, Bolton & Menk, Incorporated

I. Call to Order

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

II. Recommended 2017 Budget

Mr. Tienter stated that the 2017 Insurance Renewals, the Revised Recommended 2017 Sewer Rates and the Recommended 2017 Winsted Volunteer Fire Department Budget would be discussed at this City Council Work Session.

Mr. Tienter reviewed the 2017 Budget Process as follows.

2017 Budget Process

July	City staff prepare Proposed 2016 Budget.
August 2	City Council Work Session to review Recommended 2017 General Fund Budget and Preliminary General Fund and Debt Service Property Tax Levy.
August 16	City Council Work Session to review Recommended 2017 – 2021 Capital Equipment and Improvement Plans.
September 6	Additional City Council Work Session to review Recommended 2017 General Fund Budget, if needed.
September 20	Additional City Council Work Session to Review Recommended 2017 General Fund Budget.
September 22	City Council Special Meeting to certify Recommended 2017 Property Tax Levy
October 4	Additional City Council Work Session to review Recommended 2017 Budget, if needed.
October 18	City Council Work Session to review Recommended 2017 Airport, Cable, Sewer and Water Budgets.
October 24	Additional City Council Special Work Session to review the Recommended 2017 General Fund Budget
November 1	Additional City Council Work Session to review Recommended 2017 Budget, if needed.
November 15	City Council Work Session to review Recommended 2017 General Fund Budget, prior to Truth-in-Taxation Public Hearing.
December 6	City Council conducts Truth-in-Taxation Public Hearing.
December 20	City Council adopts Recommended 2017 Budget and certifies the Recommended 2017 General Fund and Debt Service Property Tax Levies.

Mr. Tienter reviewed the Healthcare Insurance and Dental Insurance renewal information as follows.

Healthcare Insurance Renewal Background

- On October 12, 2016 and October 25, 2016, City staff met with a representative of Flagship Insurance Services to review health and dental plan renewal options.
 - In total, City staff reviewed seven different healthcare plan options that included various deductible amounts, different premium structures and two different procurement options.

- On November 2, 2016 the City Administrator held an all–staff meeting to review possible recommendations to the City Council and take staff comments on any proposed benefit modifications.
 - Generally, City staff are supportive of the Recommended 2017 Health and Dental Plan insurance renewal proposals.
- On November 14, 2016 the Personnel Committee reviewed and recommended the health and dental plan changes to the City Council Work Session.

Dental Insurance Plan Renewal

- Recommended Provider: Delta Dental.
- Recommended Plan: Pathfinder Plan.
- Highlights:
 - Same provider and plan as 2016.
 - Decrease in monthly premiums of approximately \$22.70.
 - No need to purchase a separate pediatric dental insurance plan due to a shift in health insurance plan.

Health Insurance Plan Renewal

- Recommended Provider: Blue Cross and Blue Shield of Minnesota.
- Recommended Plan: \$2,250, Ind./\$4,500, Family Health Savings Account (HSA).
- Highlights:
 - Same provider as the previous year.
- Major Changes:
 - Decrease in premiums compared to the previous year plan by 0.25%;
 - Increase in deductible from the previous year;
 - Increase in HSA contribution to remain consistent with past City practice (\$125, Individual and \$250, Family, respectively);
 - Shift from Small Group coverage to a Service Cooperative;
 - Shift from age–banded premiums to a tiered structure; and
 - No coverage for non–formulary prescriptions.
- The shift from a Small Group plan to a Service Cooperative modifies the premiums paid by the City.
 - Age–banded (i.e., individualized) versus tiered (i.e., standardized) rates.
 - Age–banded rates are more favorable for younger enrollees, while tiered rates are more favorable for older enrollees.
 - The shift in rate structure results in changes in individual employee healthcare premiums ranging from –48.16% to +21.44%, assuming the current cost participation and dependent structure.
- At present, the City provides the following cost participation for employees across the various City–provided benefits. (Long Term Disability (LTD), Short Term Disability (STD))

Plan	Health	Dental	Life	LTD	STD
Individual Employee	100%	100%	100%	100%	100%
Family (Spouse/Dependents)	70%	100%	0%	n/a	n/a

- Due to the change in the rate structure, the City Administrator recommends the City Council modify the cost participation arrangement for City–provided health insurance.
 - The modification in rate structure results in changes in individual employee healthcare premiums ranging from –56.80% to +1.20%, which:
 - Ensures that no individual employee will experience a drastic increase in health insurance costs;
 - Allows the City to remain competitive with surrounding municipalities with regard to employee health insurance costs; and
 - Improves the City’s ability to budget for and anticipate changes in health insurance cost.

Plan	Health	Dental	Life	LTD	STD
Individual Employee	100%	100%	100%	100%	100%
Family (Spouse/Dependents)	75%	100%	0%	n/a	n/a

75/25 Cost Participation

Estimate	Provider	Market	Net City Cost	Employee Cost
Adopted 2016 Budget	BlueCross Blue Shield	Small Group	\$ 104,763.03	\$ 14,120.21
Original Recommended Budget	BlueCross Blue Shield	Small Group	\$ 115,062.84	\$ 17,597.90
Revised Recommended Budget	Health Partners	Small Group	\$ 122,239.64	\$ 20,089.80
Final Recommended Budget	BlueCross Blue Shield	Service Cooperative	\$ 117,094.50	\$ 13,471.50
Change (\$), Final v. Revised			\$ (5,145.14)	\$ (6,618.30)

70/30 Cost Participation

Estimate	Provider	Market	Net City Cost	Employee Cost
Adopted 2016 Budget	BlueCross Blue Shield	Small Group	\$ 104,763.03	\$ 14,120.21
Original Recommended Budget	BlueCross Blue Shield	Small Group	\$ 115,062.84	\$ 17,597.90
Revised Recommended Budget	Health Partners	Small Group	\$ 122,239.64	\$ 20,089.80
Final Recommended Budget	BlueCross Blue Shield	Service Cooperative	\$ 114,400.20	\$ 16,165.80
Change (\$), Final v. Revised			\$ (7,839.44)	\$ (3,924.00)
Difference, 75/25 v. 70/30			\$ 2,694.30	\$ (2,694.30)
Difference, 75/25 v. 70/30			2.36%	-16.67%

- Cost saving efforts across the entire Recommended 2017 Budget coupled with exhaustive efforts to identify the lowest cost health insurance plan, allows the City approve the recommended change in cost participation without materially impacting the Recommended 2017 General Fund Budget.
 - As mentioned on the previous slide, the estimated change in health insurance costs as a result of the cost participation change will be approximately \$2,694.

Budget Scenario	With Change	Without Change
General Fund Budget Variance, as of 11/15/2016	\$ (2,653)	\$ (2,653)
General Fund Budget Variance, as of 10/24/2017	\$ (2,479)	\$ (5,173)
Change (\$)	\$ 174	\$ (2,520)

- The change in health insurance plan structure also increases reporting requirements and certain fees for the City, including:
 - Form 1095B (Health Coverage);
 - Approximately \$1.50 per enrollee per month; and
 - \$6.00 annual fee;
 - Form 720 (PCORI Fees);
 - \$2.17 per average number of enrollees annually.

Mr. Tienter stated that the Health Insurance Enrollment and the Dental Insurance Renewal are included on the Consent Agenda for tonight’s City Council Meeting.

The City Council Members discussed the proposed insurance plans and how they compare with surrounding cities and were comfortable with the proposed plans.

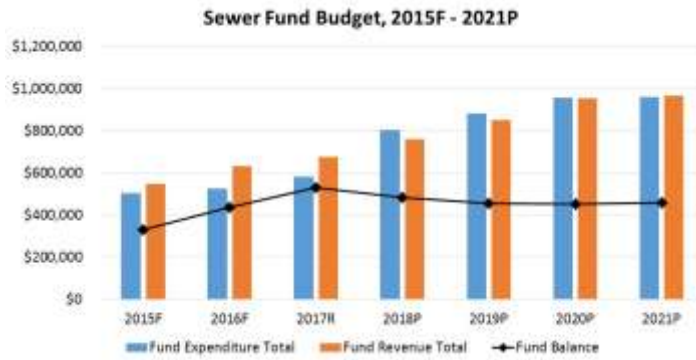
Mr. Tienter stated that during every budget process the City will review the insurance renewal plans.

Mr. Tienter reviewed the following information regarding the Recommended 2017 Sewer Fund Budget

Sewer Fund Assumptions and Considerations

- The Revised, Recommended 2017 Sewer Budget assumes the following:
 - 12.00% increase in sewer minimum and sewer rate fees beginning in 2017 Recommended (R) and continuing until 2021 Proposed (P);
 - Previously estimated at 11.25%;
 - Increase due to an increase in net interest rate at the time of the October 18, 2016 bond sale (Final – 2.4415% versus Projected – 2.1951%)
 - 0.50% increase in total units;
 - 1.20% increase in total Sewer Sales;
 - Debt Service for the Wastewater Treatment Facility Improvements beginning in 2018.

Sewer Fund Budget



Mr. Tienter reviewed the following information related to the Recommended 2017 Winsted Volunteer Fire Department Budget.

Recommended 2017 Fire Department Budget

Fire Board Meeting

- The Winsted Volunteer Fire Department (Fire Department) Advisory Board (Fire Board) met on November 1, 2016 to review both the Recommended 2017 Operations and Capital Equipment and Improvement Program (CEIP).
- During the meeting the Fire Board recommended to the City Council adoption of the following:
 - Recommended 2017 Operations Fund Budget;
 - Recommended 2017 CEIP; and
 - \$124 per unit fee for 2017.

Five Year Budget Projections

- Allows the Fire Board and the City Council to better understand both the general condition of the Fire Department budget, but also to examine the long-term impact of particular decisions on the financial position of the City.
- The model makes a variety of assumptions, including, but not limited to:

Recommended 2017 Budget Assumptions, Selected	
Revenues	Expenditures
0.00% Local Government Aid	1.00% Materials and Supplies
0.30% Unit Count	2.00% CIP Transfer
1.00% Other Revenue	
2.00% Fire Department Per Unit Fee	

2014 – 2021 Projected (P) Fire Department Unit Count

Organization	2014	2015	2016	2017R	2018P	2019P	2020P	2021P
City of Winsted	990	990	991	994	997	1000	1003	1006
Hollywood Township	78	78	80	80	80	81	81	81
Victor Township	134	136	136	136	137	137	138	138
Winsted Township	216	216	216	217	217	218	219	219
Woodland Township	37	37	38	38	38	38	38	39
Total	1455	1457	1461	1465	1470	1474	1479	1483

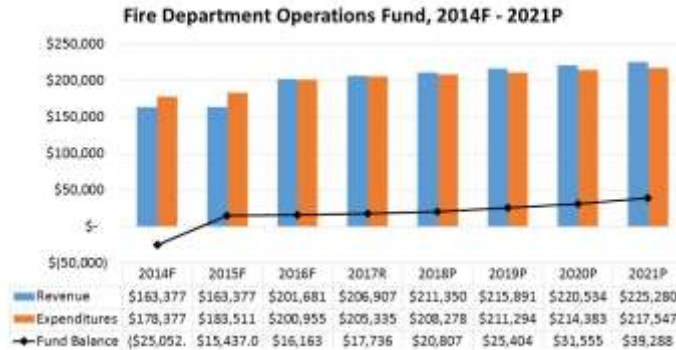
2014 – 2021P Proposed Fire Protection Revenue Breakdown

Organization	2014	2015	2016	2017R	2018P	2019P	2020P	2021P
City of Winsted	\$ 99,990	\$ 119,790	\$ 119,911	\$ 123,253	\$ 126,095	\$ 129,003	\$ 131,977	\$ 135,021
Hollywood Township	\$ 7,878	\$ 9,438	\$ 9,680	\$ 9,950	\$ 10,179	\$ 10,414	\$ 10,654	\$ 10,900
Victor Township	\$ 13,534	\$ 16,456	\$ 16,456	\$ 16,915	\$ 17,305	\$ 17,704	\$ 18,112	\$ 18,530
Winsted Township	\$ 21,816	\$ 26,136	\$ 26,136	\$ 26,864	\$ 27,484	\$ 28,118	\$ 28,766	\$ 29,429
Woodland Township	\$ 3,737	\$ 4,477	\$ 4,598	\$ 4,726	\$ 4,835	\$ 4,947	\$ 5,061	\$ 5,177
Total	\$ 146,955	\$ 176,297	\$ 176,781	\$ 181,707	\$ 185,898	\$ 190,184	\$ 194,570	\$ 199,057

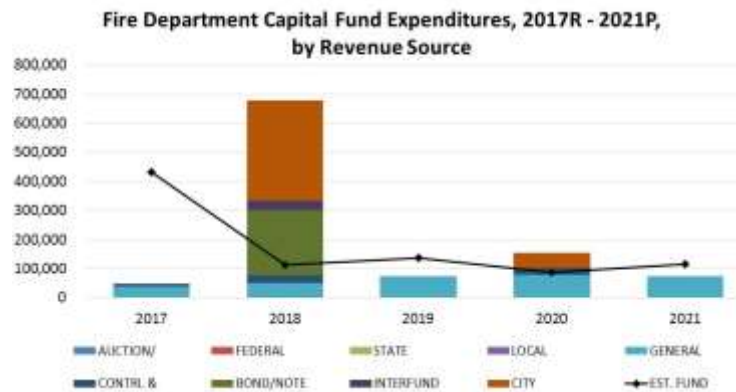
2014 – 2021P Fire Protection Revenue



Recommended 2017 Fire Department Budget Summary



Recommended 2017 – 2021 Capital Equipment Improvement Plan (CEIP)



2017 – 2021 CEIP Replacement Financing Projections

- Under the Recommended 2017 – 2021 CEIP, the City will issue an Equipment Certificate to support the purchase of the approved Fire Truck.
 - Assuming a 10 year amortization schedule, an interest rate of 2.50% and a 3.00% annual increase in the CIP Transfer, the City would pay an estimated \$34,721 in interest over the next five years.

ESTIMATED AMORTIZATION SCHEDULE NO. 1					
				PRINCIPAL VALUE	340,000
				PERIOD (YEARS)	10
				ESTIMATED RATE	2.50%
				ESTIMATED ANNUAL PAYMENT	38,848
BEG. BALANCE	ANNUAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	END BALANCE	
2017	340,000	38,848	8,500	30,348	309,652
2018	309,652	38,848	7,741	31,107	278,545
2019	278,545	38,848	6,964	31,884	246,661
2020	246,661	38,848	6,167	32,681	213,980
2021	213,980	38,848	5,349	33,498	180,481
TOTAL		194,240	34,721	159,519	

2017 – 2021 CEIP Replacement Financing Projections

- Under the Recommended 2017 – 2021 CEIP, the City anticipates issuing a second Equipment Certificate to support the purchase of a Ladder Truck.

- Assuming a 10 year amortization schedule, an interest rate of 2.50% and a 3.00% annual increase in the CIP Transfer, the City would pay an estimated \$15,356 in interest over the next five years.

ESTIMATED AMORTIZATION SCHEDULE NO. 2					
	PRINCIPAL VALUE				225,000
	PERIOD (YEARS)				10
	ESTIMATED RATE				2.50%
	ESTIMATED ANNUAL PAYMENT				25,708
	BEG. BALANCE	ANNUAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	END BALANCE
2017	0	0	0	0	0
2018	0	0	0	0	0
2019	225,000	25,708	5,625	20,083	204,917
2020	204,917	25,708	5,123	20,585	184,331
2021	184,331	25,708	4,608	21,100	163,232
TOTAL		77,125	15,356	61,768	

Projected “Per Unit Cost”

- Due to increasing capital needs, the Recommended 2017 – 2021 CEIP, projects a 3.00% increase in the Fire Department Operations Fund transfer annually.
- Assuming no increase in external revenue, operating expenditures and unit counts, the per unit cost would need to increase by approximately 2.00% annually to keep pace.

Per Unit Cost	2014	2015	2016	2017R	2018P	2019P	2020P	2021P
	\$ 101.00	\$ 121.00	\$ 121.00	\$ 124.00	\$ 126.48	\$ 129.01	\$ 131.59	\$ 134.22
City of Winsted	\$ 99,990	\$ 119,790	\$ 119,911	\$ 123,253	\$ 126,095	\$ 129,003	\$ 131,977	\$ 135,021
Hollywood Township	\$ 7,878	\$ 9,438	\$ 9,680	\$ 9,950	\$ 10,179	\$ 10,414	\$ 10,654	\$ 10,900
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Woodland Township	\$ 3,737	\$ 4,477	\$ 4,598	\$ 4,726	\$ 4,835	\$ 4,947	\$ 5,061	\$ 5,177
Total	\$ 146,955	\$ 176,297	\$ 176,781	\$ 181,707	\$ 185,898	\$ 190,184	\$ 194,570	\$ 199,057
Percent Change	0.21%	19.97%	0.27%	2.79%	2.31%	2.31%	2.31%	2.31%

III. Northgate Circle Drainage

Mr. Tienter stated that Mr. Jake Saulsbury, Bolton and Menk, Incorporated, included information regarding drainage concerns at the east end of Northgate Circle in the City Council packet for the Work Session.

Mr. Tienter stated that Mr. Ron Mills, 621 Northgate Circle, was invited to the City Council Work Session and did not respond to the invitation.

Mr. Tienter reviewed the steps that the City has taken to this point to investigate the drainage concerns, including televising an additional pipe in the Northgate Circle area and locating a buried manhole in a rear yard in the Northgate Circle area.

Mr. Tienter stated that the cost assumption for the project to replace the pipe would be \$40,000 and \$5,000 to replace an aged fire hydrant.

Mr. Saulsbury stated that he spoke with Mr. Dave Meyer, Public Works Supervisor, today and Mr. Meyer stated that hydrant works well and is the newer style hydrant. This hydrant may not need to be replaced.

Mr. Tienter reviewed information from the engineering memo regarding how the project could be financed as follows:

- The City could move forward with a standalone project financed solely by the City.
- The City could elect to negotiate a cost sharing agreement with the concerned property owner and possibly surrounding property owners.
- The City could wait until the road was replaced and replace the pipe at that time. Mr. Tienter stated that the City’s Pavement Management Plan currently does not include a total street reconstruction for Northgate Circle; so the timeline for this is undetermined, and would likely be an approximated 15 years.

Mr. Tienter noted that the City has had conversations with property owners in other areas of the City regarding drainage modifications and the City’s response has been that replacement of equipment to alleviate drainage concerns will be considered at City cost when the road is replaced, as part of a larger street improvement project. Mr. Tienter stated that the recommendation would be to stay consistent with this past practice.

Mr. Tienter stated that the Northgate Circle drainage concern is not the City’s most severe drainage concern. He continued by stating that there is an area near Barrett Park that produces more severe

flooding for the street and residents in that area. Mr. Saulsbury stated that the roadway in the Barrett Park area is more heavily traveled compared to Northgate Circle which is a cul-de-sac.

Mr. Tienter stated that Mr. Mills, 621 Northgate Circle, filed an insurance claim with the League of Minnesota Cities Insurance Trust (LMCIT) in the past, and the adjuster provided the City with a report that stated the storm sewer is functioning normally and the City is not liable for any damages that are claimed as a result of storm sewer failure.

The City Council Members were not in favor of completing the \$40,000 project at this time and discussed other options that could help to mitigate the drainage concern at the property of 621 Northgate Circle, like the placement of a berm, until the street project was completed in the future.

Mr. Tienter stated that water moving over land is typically considered a private nuisance and does not involve the City. Mr. Tienter continued by stating that the report from the LMCIT stated that the lot is "not ideal for rainwater penetration into groundwater".

Mr. Tienter stated that he would extend another invitation to Mr. Mills to attend the next City Council Work Session, on December 6, 2016, to discuss this issue with the City Council Members.

Mayor Stotko stated that the Work Session should be recessed until after the Regular City Council Meeting.

IV. Other

a.) McLeod County Farm Service Agency (FSA) Committee Elections Ballot

Mr. Tienter stated that tonight's City Council Consent Agenda includes a motion to authorize the City Administrator to cast the 2016 official ballot for McLeod County Farm Service Agency (FSA) Committee Elections on behalf of the Winsted City Council. He continued by stating that the City received this ballot because it owns the Industrial Park land which is currently cultivated property.

Council Member Ollig motioned to recess the City Council Work Session. Council Member Schulenberg seconded the motion. Motion carried 5-0.

The City Council Work Session recessed at 6:00 p.m.

The City Council Work Session reconvened at 7:11 p.m.

Mayor Stotko stated that the City Council Members were discussing the Northgate Circle drainage concerns before the City Council Work Session recessed at 6:00 p.m.

The City Council Members stated that they would like Mr. Saulsbury to look at the property at 621 Northgate Circle and determine if the placement of a berm or some other alternative at this property would help alleviate the drainage concern at that property.

Council Member Ollig stated that an electronic mail (e-mail) should be sent to Mr. Mills informing him of the status of the issue. Mr. Tienter stated that he would send another e-mail to Mr. Mills.

IV. Other

b.) Winsted Volunteer Fire Department – Clothes Washer/Extractor

Mr. Tienter stated that the City received a \$9,000 grant to purchase a clothes washer/extractor for the Winsted Volunteer Fire Department, which is recommended to reduce cancer risks. The City must contribute a 10% cost match for the purchase.

c.) Winsted Lake – Lighted Fountain

Council Member Ollig stated that Security Bank and Trust Company would like to donate \$5,000 toward a lighted fountain in Winsted Lake. Council Member Ollig explained that a fountain would be aesthetically pleasing and would help to aerate the lake. Mr. Tienter stated that Security Bank and Trust Company could present the check to the City at one of the remaining City Council meetings of 2016.

V. Adjourn

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

The meeting was adjourned at 7:36 p.m.

Steve Stotko

Steve Stotko
Mayor
City of Winsted

ATTEST:

Raquel Kirchoff

Raquel Kirchoff, CMC
City Clerk-Treasurer
City of Winsted