

City of Winsted  
Special City Council Work Session  
Lewis Room  
Tuesday, October 24, 2016  
12:00 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. Justin Heldt, Chief of Police  
Mr. Jamie Stotko, Public Works

Also Present: Mr. Michael Henrich

## I. Call to Order

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

## II. Recommended 2017 Budget

Mr. Tienter distributed information to City Council members and stated that City departments submitted one and two percent reductions to their budgets to produce revised changes over \$1,000 for the City Council to consider.

Mr. Tienter reviewed the 2017 Budget Process schedule as follows.

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

**December 6, 2016**  
**December 20, 2016**

City Council conducts Truth-in-Taxation Public Hearing  
City Council adopts Recommended 2017 Budget and certifies the  
Recommended 2017 General Fund and Debt Service Property Tax Levies

Mr. Tienter reviewed assumptions and considerations related to the General Fund budget.

Mr. Tienter stated that City staff has met once with Flagship Insurance to discuss employee benefits, and will meet with them again on October 25, 2016 to further explore other options related to employee benefits. He continued by stating that a Personnel Committee meeting will be scheduled to review the options for employee benefits and the City Council will consider employee benefits at a future City Council Work Session.

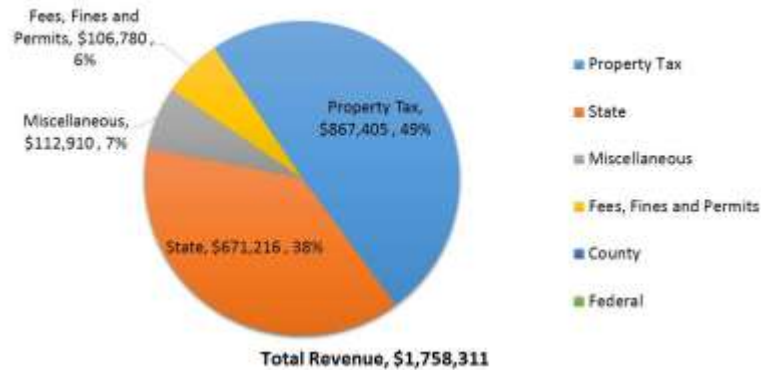
Mr. Tienter reviewed the Revised Recommended Budget Changes for the General Fund, line by line with City Council Members as follows.

<b>Recommended Operating Budget Changes Over \$1,000</b>				
<b>Department and Change</b>	<b>Revised Recommended Budget Changes</b>			<b>Total Change, Net City Cost</b>
	<b>Expense</b>	<b>Other Revenue</b>	<b>Net City Cost</b>	
41300 Administration				
Wages and Salaries	\$ (10,356)		\$ (10,356)	\$ -
Employer Paid Insurance	\$ (2,036)		\$ (2,036)	\$ (2,406)
Elections	\$ (4,300)		\$ (4,300)	\$ (100)
Performance Award	\$ 1,173		\$ 1,173	\$ -
Tuition Reimbursement	\$ 2,000		\$ 2,000	\$ -
Administrative Internship	\$ 6,000		\$ 6,000	\$ (1,200)
41600 Legal Counsel				
Professional Services	\$ 2,000		\$ 2,000	\$ -
41900 General Government				
Computer Supplies and Contract	\$ (6,500)		\$ (6,500)	\$ (1,000)
Donation and Contributions	\$ 475		\$ 475	\$ (525)
Winsted Summer Festival	\$ 10,000	\$ 10,000	\$ -	\$ -
Repairs and Maintenance	\$ (1,000)		\$ (1,000)	\$ (500)
EDA Lease	\$ (1,861)		\$ (1,861)	\$ -
CIP Transfer	\$ 23,834		\$ 23,834	\$ (5,000)
<b>Property Tax Levy</b>		<b>\$ 34,001</b>	<b>\$ (34,001)</b>	<b>\$ 29,002</b>
Insurance Reimbursement		\$ 5,000	\$ (5,000)	\$ -
Annexation Fee		\$ (1,500)	\$ 1,500	\$ -
Other Rent and Royalties		\$ 1,000	\$ (1,000)	\$ -
Franchise Fees		\$ 1,000	\$ (1,000)	\$ -
Cable Fund Transfer		\$ (20,000)	\$ 20,000	\$ -
Stormwater Utility Fee		\$ -	\$ -	\$ -
42000 Public Safety				
Wages and Salaries	\$ 7,363		\$ 7,363	\$ -
On-Call Wages	\$ 1,000		\$ 1,000	\$ -
Overtime Wages	\$ 500		\$ 500	\$ (500)
Part-Time Wages	\$ (1,500)		\$ (1,500)	\$ (500)
FICA/Social Security	\$ 1,193		\$ 1,193	\$ -
Employer Paid Insurance	\$ 7,271		\$ 7,271	\$ 3,054
Worker's Compensation Insurance	\$ 1,300		\$ 1,300	\$ -
Computer Supplies and Contract	\$ (2,500)		\$ (2,500)	\$ -
Conference and Mileage	\$ 1,000		\$ 1,000	\$ -
Professional Services	\$ (1,000)		\$ (1,000)	\$ -
Legal Fees	\$ 2,500		\$ 2,500	\$ -
Vehicle Repairs and Supplies	\$ (1,000)		\$ (1,000)	\$ -
CIP Transfer	\$ (3,000)		\$ (3,000)	\$ -
Shift Differential	\$ 1,248		\$ 1,248	\$ -
42200 Fire Protection				
Professional Services	\$ 1,980	\$ -	\$ 1,980	\$ -

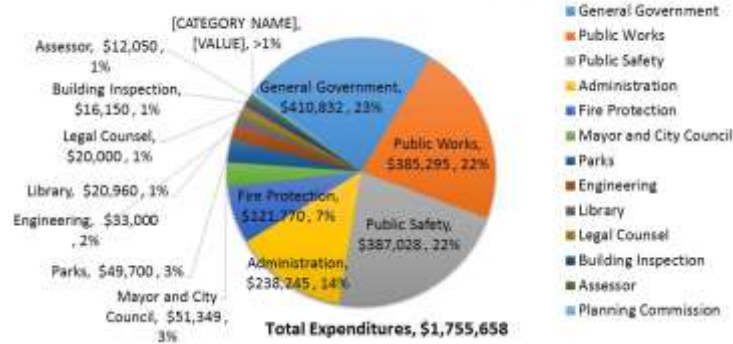
43000 Public Works				
Wages and Salaries	\$ 2,415		\$ 2,415	\$ -
Part-Time Snow Plowing	\$ 2,000		\$ 2,000	\$ -
Employer Paid Insurance	\$ 4,384		\$ 4,384	\$ 3,457
FICA/Social Security	\$ 1,713		\$ 1,713	\$ -
Ordinance Violation Mitigation	\$ (3,000)		\$ (3,000)	\$ (1,000)
Street Seal Coating	\$ (1,150)		\$ (1,150)	\$ (1,150)
Storm Sewer Repairs and Maintenance	\$ -		\$ -	\$ (3,000)
Vehicle Repairs and Supplies	\$ (2,000)		\$ (2,000)	\$ -
Radio Contract	\$ (1,200)		\$ (1,200)	\$ -
City Beautification	\$ 1,500		\$ 1,500	\$ (500)
Tree Maintenance	\$ 10,000		\$ 10,000	\$ (2,500)
Insurance Reimbursement		\$ 1,000	\$ (1,000)	\$ -
45200 Parks				
Repairs and Maintenance	\$ 1,000		\$ 1,000	\$ -
Contributions and Donations		\$ 1,500	\$ (1,500)	\$ -
45500 Libraries				
Library Operations	\$ -		\$ -	\$ (2,000)

Mr. Tienter reviewed the following charts, graphs and information regarding the 2017 Property Tax Levy and Budget with the City Council Members.

### Recommended 2017 General Fund Budget, Revenue



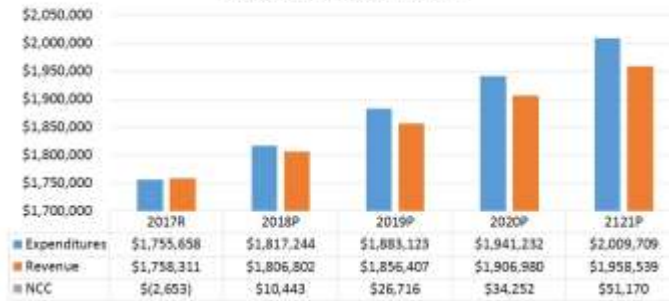
### Recommended 2017 General Fund Budget, Expenditures



**2017R Street Capital Improvement Program  
Revenue Breakdown**



**General Fund Budget Projections, Streets CIP Transfer and  
2.00% Annual Adjustment**



**Recommended 2017 Property Tax Levy**

**Final 2017 Property Tax Levy**

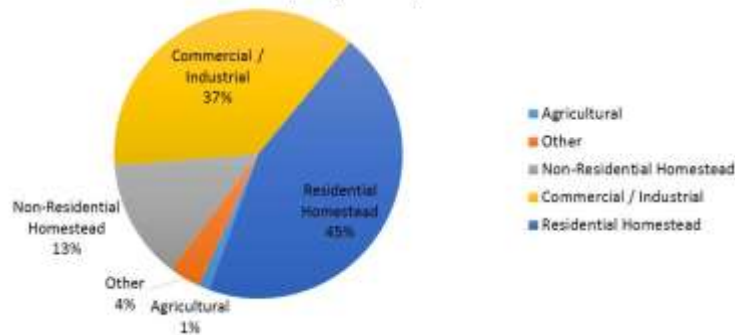
- According to Minnesota State law, the City Council must certify a Preliminary and Final Property Tax Levy on or before September 30 and December 20, respectively, of each year.
- The Final Property Tax Levy may be lower than the Preliminary Property Tax Levy, but cannot exceed it.
- The City's property tax levy is comprised of two parts:
 

General Levy	
+ Debt Levy	
=	Property Tax Levy

**Property Tax Trends and Other Considerations**

- Market values continue to increase throughout Minnesota in all property categories.
  - Total market value increased 5.7% in 2016 compared to 8.5% in 2015.
  - Property tax rates continue to decline as a result.
- In 2016, certified property tax levies increased 5.0% compared to the previous year.
  - City staff expect this upward trend to continue.
  - No property tax levy limits in place.
- Local Government Aid (LGA) remains flat due to impasse between the Minnesota State Legislature and Governor on a tax bill.
- No renewal of the Small Cities Assistance Program.

### Property Classification Composition Net Tax Capacity, Taxes Payable 2016



### General Fund Budget and Property Tax Levy

General Budget and Levy History and Detail							
	Final 2016	Prelim. 2017	Change 2016F v. 2017P (%)	Change 2016F v. 2017P (\$)	Final 2017	Change 2016F v. 2017F (%)	Change 2016F v. 2017F (\$)
Expenditures	\$ 1,702,567	\$ 1,773,833	4.19%	\$ 71,266	\$ 1,755,658	3.12%	\$ 53,091
Revenue	\$ 1,726,135	\$ 1,786,814	3.52%	\$ 60,679	\$ 1,758,311	1.86%	\$ 32,176
<b>Total (NCC)</b>	<b>\$ (23,568)</b>	<b>\$ (12,981)</b>	<b>-44.92%</b>	<b>\$ 10,587</b>	<b>\$ (2,653)</b>	<b>-88.74%</b>	<b>\$ 20,915</b>
General Levy	\$ 833,404	\$ 896,408	7.56%	\$ 63,004	\$ 867,405	4.08%	\$ 34,001
Debt Levy	\$ 322,750	\$ 346,450	7.34%	\$ 23,700	\$ 346,450	7.34%	\$ 23,700
<b>Total</b>	<b>\$ 1,156,154</b>	<b>\$ 1,242,858</b>	<b>7.50%</b>	<b>\$ 86,704</b>	<b>\$ 1,213,855</b>	<b>4.99%</b>	<b>\$ 57,701</b>

- The Recommended 2017 General Property Tax Levy would increase 4.08% and the Recommended 2017 Debt Service Levy would increase 7.34% resulting in a Recommended 2017 Property Tax Levy increase of 4.99%.
- In total, the Recommended 2017 Budget decreases \$18,175 (-1.02%) and \$28,502 (-1.60%) in expenditures and revenues, respectively.
- The Recommended 2017 Property Tax Levy decreases 2.33% and 2.51% from the Recommended Preliminary 2017 Property Tax Levy and 2016 Property Tax Levy, respectively.

### Final 2017 Property Tax Levy

\$	867,405	(General Levy)
+	346,450	(Debt Levy)
=	\$ 1,213,855	(Property Tax Levy)

### Property Tax Capacity and Levy History, \$140,000 Residential Homestead

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 2011	\$ 1,342,505	\$ 1,117,629	83.25%	\$ 140,000	\$ 987	n/a	n/a
Final 2012	\$ 1,244,925	\$ 1,117,629	89.77%	\$ 140,000	\$ 1,065	7.84%	\$ 77
Final 2013	\$ 1,230,607	\$ 1,103,432	89.67%	\$ 140,000	\$ 1,063	-0.12%	\$ (1)
Final 2014	\$ 1,270,528	\$ 1,103,432	86.85%	\$ 140,000	\$ 1,030	-3.14%	\$ (33)
Final 2015	\$ 1,262,652	\$ 1,122,654	88.91%	\$ 140,000	\$ 1,055	2.38%	\$ 24
Final 2016	\$ 1,457,310	\$ 1,156,154	79.33%	\$ 140,000	\$ 941	-10.77%	\$ (114)
Rec. 2017	\$ 1,655,606	\$ 1,213,855	73.32%	\$ 140,000	\$ 870	-7.58%	\$ (71)
Change 2016 v. 2017	\$ 198,296	\$ 57,701	-6.02%	\$ -	\$ (71)	3%	\$ 42

- Under the proposed budget, the 2017 Net Tax Capacity Rate is the lowest in seven years.
- Accordingly, a \$140,000 homestead with no change in valuation would pay the lowest property taxes since 2010.

### Property Tax Capacity and Levy History, Net Tax Capacity (NTC) Adjusted

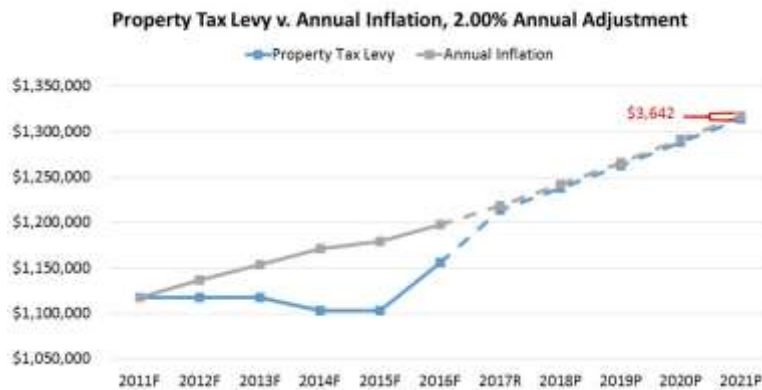
Property Tax History and Detail							
Year	Net Tax Capacity	Property Tax Levy	Net Tax Capacity Rate	Estimated Median Value Home	Net Property Tax	Net Property Tax Change (%)	Net Property Tax Change (\$)
Final 2011	\$ 1,342,505	\$ 1,117,629	83.25%	\$ 127,500	\$ 874	n/a	n/a
Final 2012	\$ 1,244,925	\$ 1,117,629	89.77%	\$ 118,233	\$ 852	-2.54%	\$ (22)
Final 2013	\$ 1,230,607	\$ 1,103,432	89.67%	\$ 116,873	\$ 837	-1.68%	\$ (14)
Final 2014	\$ 1,270,528	\$ 1,103,432	86.85%	\$ 120,664	\$ 847	1.14%	\$ 10
Final 2015	\$ 1,262,652	\$ 1,122,654	88.91%	\$ 119,916	\$ 860	1.52%	\$ 13
Final 2016	\$ 1,457,310	\$ 1,156,154	79.33%	\$ 138,403	\$ 927	7.82%	\$ 67
Rec. 2017	\$ 1,655,606	\$ 1,213,855	73.32%	\$ 157,236	\$ 1,007	8.65%	\$ 80
Change							
2016 v. 2017	\$ 198,296	\$ 57,701	-6.02%	\$ 18,833	\$ 80	1%	\$ 13

- By adjusting the Estimated Median Value Home to be consistent with the change in Net Tax Capacity, City staff may better approximate the overall change in City property taxes.
- Accordingly, a residential homestead with an adjusted valuation of approximately \$157,236 would pay approximately \$80.00 more per year, or \$6.68 more per month.

### Estimated Property Taxes Payable



### Annual Property Tax Levy v. Inflation, 4.99% 2017R Change



## Annual Property Tax Levy v. Inflation, 4.99% 2017R Change



### 2017 Property Tax Levy Discussion

- The Final 2017 Property Tax Levy responds to cost pressures, but:
  - Remains below the trend line of inflation;
  - Remains competitive with surrounding communities;
  - Responds to inaction at the Minnesota State Legislature (e.g., LGA, Small Cities Assistance Account); and
  - Provide for predictable and stable property tax levy change in the future.
- The Final Property Tax Levy may be certified at a lower amount than the Preliminary Property Tax Levy, but not greater than it.

The City Council members thanked City staff for their work on the budget and for the reduction from a 7.5% Property Tax Levy increase adopted in the Preliminary Levy to the proposed 4.99% increase.

Mr. Tienter read a request from Ms. Julie Guggemos regarding computers at the Winsted Library. Mr. Tienter explained what the City of Winsted pays for the Winsted Library facility expenses; and stated that in addition to these facility expenses, the recommended 2017 Budget includes \$4,000 to be used toward computer replacement at the Winsted Library from the Facilities Capital Improvement Plan.

### III. Other

### IV. Adjourn

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

The meeting was adjourned at 1:53 p.m.

*Steve Stotka*

---

Steve Stotka  
Mayor  
City of Winsted

ATTEST:

*Raquel Kirchoff*

---

Raquel Kirchoff, CMC  
City Clerk-Treasurer  
City of Winsted