

**FINANCE COMMITTEE/FULL COUNCIL**

**MINUTES**

The Finance Committee/Full Council Meeting of the City of Willmar met at 5:00 p.m. on Thursday, October 22, 2020, via TeleConference.

Present:	Audrey Nelsen	.....	Chairman
	Rick Fagerlie	.....	Member
	Julie Asmus	.....	Member
	Andrew Plowman	.....	Member

Others on the teleconference: Councilmember Shawn Mueske, Councilmember Vicki Davis, Councilmember Kathy Schwantes, Council Member Fernando Alvarado, City Administrator Brian Gramentz, Finance Director Steve Okins, City Clerk Judy Thompson, Parks & Rec Director Rob Baumgarn, Westberg & Eischens Auditor David Euerle, Baker Tilly Consultant Doug Green, and EDC Director Aaron Backman.

**Item No. 1    Call to Order**

The meeting was called to order at 5:00 p.m.

**Item No. 2    Roll Call**

Roll-call was taken with the following members present: Chair Audrey Nelsen, Councilmember Rick Fagerlie, Councilmember Julie Asmus, and Councilmember Andrew Plowman.

**Item No. 3    Action Items for the Council**

**Dovre Township Fire Contract - Resolution**

Staff explained that Dovre Township is under an annual contract for Willmar Fire Department services. A statewide formula has been used for decades to calculate the Township cost sharing proposal. The current numbers were reviewed with the Committee as well as historical information from the previous five years. The proposed contract for 2021 totals \$37,715.86 based on 165 firefighter hours accumulated in 2019.

It was moved by Councilmember Plowman, seconded by Councilmember Fagerlie, and passed to recommend a resolution to authorize the Mayor and City Administrator to execute the 2021 Fire Agreement with Dovre Township for \$35,715.86.

**2019 Audit, Fund Balance Designation - Motion**

David Euerle, Lead Auditor from Westberg & Eischens, presented the 2019 Audit to the Committee. He noted that since 2015, the City, as planned, has been spending down fund balances in the General Fund and the Capital Improvements Fund. As of 2019, the total fund balances of those two funds was \$13,314,718. It was noted that, given the planned 2020 expenditures, the Fund balance is still in good shape. Other items reviewed were the General Fund Balance Classifications of \$261,217 of Nonspendable and \$12,112,532 of Committed. Detail of the Committed Fund Balance was reviewed and it was recommended, per established fund balance guidelines, that Council action be taken to establish each amount designated under the Committed Fund Balance. The Community

Investment Fund Balance as of 2019 was \$10,589,151 which is up significantly from the previous year due to a couple of debt service funds that matured and were finalized with the remaining balances transferred into the Community Investment Fund for future use. The Debt Service Fund Balances are approximately 43% of the total debt, which indicates no major issues. The Waste Treatment Fund appears to be generating more revenue than expenditures with more than appropriate debt coverage available. At the end of 2019 there was approximately \$1.7 million in cash and investments which helps provide sufficient reserves against unexpected expense fluctuations.

A summary of the City's investment portfolio at the end of 2019 was provided and it was noted that concentration of maturity dates of six to ten years out have decreased over the last few years with the greatest concentration of maturity dates now being invested for only one to two years. It was recommended that the City's Investment Policy be revised to address limits on the length of investment maturities, particularly those with a term over 5 years. Currently there is nothing in the investment policy that designates how much to be invested for certain intervals and it was recommended that be addressed to consider interest rate risk.

The overall General Fund did not exceed the budget, however, within that fund, six departments exceeded their individual budgets with Public Works seeing the greatest overage of \$200,733. Half of the Public Works excess was attributable to personnel costs. Finance Director Okins noted that overtime was a big factor in the overage as well as fuel usage and supply usage. The Planning and Development Services overage was due to a retirement. Mr. Euerle recommended that the Council take some action when the budget is exceeded, to at least note what other funds could be used to cover the deficit.

The Governance Communication Letter was also reviewed noting that the items previously discussed were addressed in this letter.

Staff will present a recommendation to update the Fund Balance Policy, Investment Policy and Budgetary Overages Policy at the next Finance Committee meeting.

Committee members asked Mr. Euerle for a recommendation on a procedure to address or prevent budget overages. He felt department heads were already being provided monthly reports and should discuss issues or concerns with the Finance Director and City Administrator about projections and come up with a plan on what should happen.

It was moved by Councilmember Asmus, seconded by Councilmember Plowman and passed to recommend a motion to accept the 2019 Audit as presented.

### **Sales Tax Revenue Bond Financing - Resolution**

Finance Director Okins introduced Baker Tilly Consultant Doug Green to update the City on the proposed schedule to issue \$5 million in General Obligation Sales Tax Revenue Bonds, Series 2020B, as well as to provide an update on the current interest rate market for general obligation tax-exempt bonds and discuss the method of sale.

Mr. Green reviewed the proposed schedule projecting the final bond settlement could be completed by the end of December or first part of January. He noted that interest rates for publicly held bonds are currently very low, at 0.35% to 1.35%, making it a good time for issuing bonds via the public market. He has contacted Bremer Bank and was informed that currently, their estimated interest rate would be 1.73%. He noted that local bonding usually moves more quickly compared to issuing bonds publicly. However, by issuing bonds publicly, the City could save around \$67,000 in

financing costs, which could be used toward actual project costs instead of financing costs. Locally issuing bonds would provide local banks the opportunity to participate in the lending process.

It was moved by Councilmember Asmus, seconded by Councilmember Fagerlie and passed to recommend a resolution to set a public hearing for the sale of \$5 million in bonds.

### **2021 Mayor's Proposed Budget**

Finance Director Okins reported that a request has been received to conduct an in-person meeting of the Finance Committee With Full Council at the Community Center on November 5<sup>th</sup> with the focus on Fund Balances and Revenues Available. Further, a similar meeting would be scheduled for November 19<sup>th</sup> to discuss the Operating and Capital Expenditures of the proposed 2021 Budget. Finally, an additional meeting would be scheduled for November 30<sup>th</sup> or December 3<sup>rd</sup> to discuss the debt service and wrap up any final recommendations. The Go-To-Meeting options could still be available for each of these meetings. After considerable discussion, it was decided that a hybrid meeting would be scheduled for November 5<sup>th</sup> allowing members to attend either in person or remotely via GoToMeeting as they see fit. Fund Balances and Available Revenues will be discussed at that meeting. November 19<sup>th</sup> was tentatively scheduled in the same fashion to discuss the Operating and Capital Expenditures and November 30<sup>th</sup> was also tentatively scheduled in the same fashion to discuss debt service and wrap up any final recommendations.

### **Item No. 4      Discussion Items for the Council**

#### **Status of EDC CARES Funding Usage**

EDC Director Aaron Backman reported to the Committee that since July, 277 applications have been received for CARES Funding grants. Businesses comprise 85% of those applications, with the remainder from nonprofit organizations. The EDC was initially provided approximately \$2.5 million to be used for these grants, with \$1.3 million designated from the County, \$1 million from the City, and the remaining amount from townships and other cities in the county. As of October 6<sup>th</sup>, all of the funds initially designated for these grants were used. Subsequent to that date, the County was able to provide an additional amount of 500,000. The EDC is projecting that by next Tuesday, October 27<sup>th</sup>, those additional funds will be also used up. Mr. Backman explained that as of today, \$60,000 remains available; however, 11 applications are waiting to be funded totaling \$150,000. Consequently, the EDC is requesting an additional \$90,000 from the City if at all possible to enable funding of these remaining applications. It was noted that 59% of the businesses funded to date and 75% of the nonprofit organizations are from Willmar. Administrator Gramentz explained that the City continues to incur expenditures applicable to the Covid Pandemic; consequently, it is uncertain at this time what funds, if any, would be available to pass along to the EDC. Staff will review the City's expenditures, both actual and projected, and will report back to the Committee on the current status at the next Finance Committee meeting. This request was taken for information at this time.

#### **Community Center Rental Fee Vision 2040**

City Administrator Graments reported that Councilmember Asmus raised the question of the City's fee structure for facility rentals for various groups. Councilmember Asmus explained that she is a member of the Vision 2040 Leadership Committee which is holding training at the Community Center. This committee is being charged a rental fee of \$100 per meeting, according to the City's fee structure. Concerns were expressed that the City makes a contribution to Vision 2040 but yet the City is charging rent to Vision 2040 which seems duplicative. Parks & Rec Director Rob Baumgarn will review the City's current fee schedule as it relates to nonprofits and City associations and will

report back to the Finance Committee with a recommendation. This matter was taken for information.

### **Fund Balance Policy**

Staff noted that the next Finance Committee meeting will address recommended revisions to the Fund Balance Policy as discussed previously. This matter was received for information.

### **Covid-19 Monthly Funding Report**

Staff reported that 55 – 60% of City Staff have required the use of Emergency Paid Sick Leave Funds to date. Further information will be provided on the status of all expenditures to date at the next Finance Committee meeting.

### **September Monthly Finance Report**

Finance Director Okins reviewed with the Committee the September 30, 2020, Financial Report for the General Fund and the Waste Treatment Fund as well as the Investment and Cash Information. Legal costs related to the Local Option Sales Tax Projects were discussed and a request was made to break out those costs from the general legal costs to determine the possibility of charging projects for their share of legal costs. This matter was for information only.

### **Third Quarter Investment Reports**

Staff reviewed the third quarter investment reports and noted that investment activity has been much higher than normal due to the economic conditions. This matter was for information only.

### **Departmental Information Update**

Finance Director Okins noted he has been out of the office for a couple of weeks and thanked staff for covering for him during his time away.

### **Miscellaneous**

Councilmember Asmus expressed concerns about the possibility of Carris Health selling off assets, specifically the dialysis unit. City Administrator Gramentz reported that he has requested the City Attorney to review the hospital documents regarding this issue. He is also contacting Hospital CEO Mike Schramm about this as well.

### **Future Agendas**

Future Finance Committee meetings will include discussion on filing fees, Federal Path Local Financing, and possible Carris Health Debt Refinancing.

There being no further business to come before the Committee, the meeting was adjourned at 7:15 p.m. by Chair Nelsen.

Respectfully submitted,



Carol Cunningham, Accounting Coordinator