

**FINANCE COMMITTEE REPORT
CITY OF WILLMAR
MONDAY, OCTOBER 14, 2013**

The Finance Committee of the Willmar City Council met at 4:45 p.m. on Monday, October 14, 2013, in Conference Room No. 1 at the City Office Building. Chair Denis Anderson called the meeting to order.

Members Present:	Denis Anderson	.....	Chair
	Tim Johnson	.....	Vice-Chair
	Rick Fagerlie	.....	Member
	Audrey Nelsen	.....	Member
	Charlene Stevens	.....	City Administrator
	Steve Okins	.....	City Finance Director

Others present included Mayor Frank Yanish, Council Members Bruce Deblieck and Jim Dokken, Safe House Representatives Bob Bonawitz, Michelle Tejada, and Jen Johnson; City Auditorium Appreciation Committee members Kelly Welch and Dale Johnson; David Euerle of Westberg & Eischens, and Accounting Supervisor Carol Cunningham.

Item No. 1 – Public Comment

Safe House Representatives Bob Bonawitz, Michelle Tejada, and Jen Johnson presented a funding request to the City of Willmar in the amount of \$37,000 for 2014. Other funding sources for Safe House are diminishing; consequently, new funding avenues are being pursued in order to maintain current staffing levels, particularly the monitors required during family visits. It was noted that some of the other funding sources include Pact 4, United Way, Kandiyohi County, the State of Minnesota Department of Justice, Bremer, etc. Mayor Yanish also addressed the Committee, speaking in favor of funding for this charity.

Kelly Welch and Dale Johnson, representing the City Auditorium Appreciation Group, explained that their purpose is to restore and preserve the City Auditorium. Mr. Welch asked the Council to research and apply for a Legacy Grant as a source of funding to make the necessary improvements to the gun range, which is located in the basement of the Auditorium. He also explained that sometime in the future they will be submitting a funding request to the City for an estimated \$7,000 to cover the cost of brochures, photographs and display graphics promoting the Auditorium. They are in the early stages of this process and do not anticipate a need for these funds until 2015. Mr. Welch also invited Finance Committee Chair Denis Anderson and Community Development Chair Rick Fagerlie to the next City Auditorium Appreciation Committee meeting on November 5, 2013, at 1 PM, at the Kandiyohi County Historical Society.

Item No. 2 – EDC 2014 Proposed Budget Presentation (Motion)

Steve Renquist, EDC Executive Director, reviewed the EDC 2014 Budget with the Committee. Anticipated revenue for 2014 includes the County Tax Levy of \$455,000, which has not changed in five years, plus \$9,262 in other miscellaneous revenue. The EDC is also proposing to utilize \$67,445 from the Agency’s reserves as a funding source. The overall budgeted expenditures for 2014 total \$531,707 which is an increase of \$29,000 over the 2013

budget. Mr. Renquist stated that he is proposing a \$5,000 increase in each of the salaries for the Assistant Director and the Ag Specialist, however, the EDC operations board has not yet approved this increase. All other salary increases for the EDC will be the blended rate of approved City and County salary increases. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Johnson and passed to make the following:

RECOMMENDATION: to make a motion approving the proposed EDC 2014 Budget as presented including the Tax Levy for the EDC.

Item No. 3 – HRA 2014 Proposed Budget Presentation (Information)

This item will be presented at the October 28, 2014, Finance Committee Meeting.

Item No. 4 – 2012 Audit/Financial Statement (Information)

David Euerle of Westberg & Eischens presented the City of Willmar's 2012 Financial Statement to the Committee. He explained that not only do they perform an audit of the Financial Statement itself, but they also audit the City's compliance with State and Federal requirements. He stated there were no Compliance issues at the City as of 2012 but there was one Finding with the Financial Statement in regard to accounting for the retirees benefits liability. To correct this Finding, the City is required to hire an Actuary to formally determine the amount to be accrued. Mr. Euerle reported that the General Fund is in good shape with the Fund Balance at the end of 2012 well over average annual expenditures. There were also no issues in the other governmental funds. He noted that the Waste Treatment Plant, which is an enterprise fund, reflects a negative change in Net Position at the end of 2012, which further supports the rate increase recently instituted.

Mr. Euerle recommended the City amend its budget policy by either: 1) formally recognizing any budget overruns by department and acknowledging that there is adequate revenue to cover the excess overage or 2) approving a budget amendment prior to year end. Chair Anderson asked staff to determine a recommendation to amend the budget policy for the Council to review and approve.

It was also noted that the Fund Balance Policy will be reviewed and enhanced after the first of the year to better indicate the type of fund balances required for each fund. This matter was for information only.

Item No. 5 – 2014 Budget Items and Calendar Revision (Information)

Chair Anderson asked the Committee if they need further information on any of the budget topics discussed to date, such as the Community Groups requests, Capital Expenditures, or specific line item detail. He also asked if there is any part of the unresolved budget issues on which the Committee can come to a consensus.

Council Member Nelsen explained that with looming retirements, the City would best be served by conducting succession planning. To do that, the budget amounts cut by the Mayor should be restored to the original estimates. Council member Fagerlie felt that a portion could be restored but not to the full amount. Council Member Johnson was still concerned that exact information was not presented regarding which expenditures are mandatory and which are just

beneficial. Council Member Nelsen wondered how the Council could expect to receive ipads and training but not allow staff to be trained in their respective areas. She also felt the City needs to include diversity training for staff. Concerns were discussed regarding professional services cuts, particularly for legal services, the airport management contract, and the required annual audit services.

Chair Anderson is concerned that the Council will be unable to resolve all the budget issues by the last meeting in November. Council Member Nelsen asked again if the Mayor would provide his reasons for reducing the specific budget line items to establish a starting place for resolving the issues.

Council Member Johnson expressed concern about the deteriorating conditions of the Auditorium, Civic Center and Community Center. He feels we need to maintain the major capital items we currently have before pursuing new projects. The Committee agreed to schedule another work session to discuss capital expenditures.

Questions were raised regarding the Safe Avenues funding request, particularly on clarification of their budget as well as how the City's contribution would affect it. It was noted that staff will be obtaining a legal opinion as to whether a contribution to Safe Avenues would meet public purpose. Council Member Nelsen felt the Community Groups should present their requests again.

Chair Anderson determined that the Committee agrees on two items: 1) the Mayor needs to clarify his reasons for cutting various line items; and 2) there should be a council work session to discuss capital expenditures.

Chair Anderson requested the Committee consider changing the budget meeting originally scheduled for Monday, November 25, 2013, to Tuesday, November 19, 2013, to enable staff adequate time to complete the Council's final amendments to the 2014 budget before the following council meeting. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Johnson and passed to make the following:

RECOMMENDATION: to change the budget meeting date to Tuesday, November 19, 2013.

Item No. 6 – Reports (Information)

The Committee received the August, 2013, Reports for Rice Trust and Rice Hospital. It was noted that representatives from the Hospital and Municipal Utilities will attend a future meeting prior to the November 19, 2013, meeting to discuss their budgets. This matter was taken for information only.

Item No. 7 – Old Business (Information)

Chair Anderson acknowledged there was no old business for the Committee to discuss at this time.

Item No. 8 – New Business (Information)

Chair Anderson acknowledged there was no new business for the Committee to discuss at this time.

There being no further business to come before the Committee, the meeting was adjourned at 6:50 p.m. upon motion by Council Member Fagerlie, second by Council Member Johnson, and carried.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carol Cunningham".

Carol Cunningham
Accounting Supervisor