

**FINANCE COMMITTEE REPORT
CITY OF WILLMAR
TUESDAY, NOVEMBER 19, 2013**

The Finance Committee of the Willmar City Council met at 3:00 p.m. on Tuesday, November 19, 2013, in the Council Chambers at the Willmar Municipal Utilities Building. Chair Denis Anderson called the meeting to order. Members present included Chair Denis Anderson, Vice-Chair Tim Johnson, Rick Fagerlie, and Audrey Nelsen. This meeting was declared open to all council members allowing them to make comments, motions, and vote. Other council members included Bruce Deblieck, Ron Christianson, Steve Ahmann, and Jim Dokken, and Mayor Frank Yanish. Others present included City Administrator Charlene Stevens, Finance Director Steve Okins, City Clerk Kevin Halliday, Planning and Development Services Director Bruce Peterson, Police Chief Dave Wyffels, Fire Chief Gary Hendrickson, Leisure Services Supervisor LeAnne Freeman, Civic Center Manager Kevin Madsen, Accounting Supervisor Carol Cunningham, HRA Executive Director Jill Bengston, MUC General Manager Wes Hompe, MUC Finance Director Tim Hunstad, Rice Hospital CEO Mike Schramm, Rice CFO Bill Fenske, Design Center Chair Gary Geiger, Design Center Treasurer John Christianson, Design Center Coordinator Bev Dougherty, West Central Integration Collaborative Director Charley Leuze, Willmar Area Multicultural Marketing Business Center Representative Jeff Madsen, and West Central Tribune Journalist David Little.

Item No. 1 – Public Comment

Chair Anderson acknowledged that no one present wished to address the Council at this time.

Item No. 2 – 2014 Budget Presentations (Information and Motion)

Item A – HRA FYE 06/30/14 Budget (Information) and 2014 Tax Levy (Resolution). HRA Executive Director Jill Bengston presented the HRA's Fiscal Year End June 30, 2014, Budget to the Council. Revenues are projected at \$919,193.81, which includes a Tax Levy Request for 2014 of \$170,000. Expenditures are estimated at \$916,823.21 with a Provision for Reserve of \$2,370.60. Ms. Bengston also provided an overview of programs the HRA administers and reported that the recent federal government sequestration affected funding for some programs. It was noted that the Willmar HRA and Kandiyohi County HRA will begin the merging process in January, 2014, with an anticipated completion date of July 1, 2014. Following a brief discussion, Chair Anderson thanked Ms. Bengston for the presentation. It was then moved by Council Member Fagerlie, seconded by Council Member Nelsen, and passed to make the following:

RECOMMENDATION: to approve the Willmar Housing and Redevelopment Authority levy of \$170,000.

Item B – Willmar Municipal Utilities 2014 Budget (Information). General Manager Wes Hompe and Finance Director Tim Hunstad presented the Willmar Municipal Utilities 2014 Budget. Total Revenue is estimated at \$30.1 million with Total Operating Expenditures of \$28.4 million. The 2014 Intergovernmental Transfer to the City of Willmar is projected to be \$2.075 million. The 5-year capital improvements budget was also presented, highlighting some of the major projects anticipated. Noting vehicle maintenance is not done inhouse by the MUC, Council Member Fagerlie suggested contracting this work with the City's Public Works Department or the KAT Bus Garage.

Other discussion included the status of the wind turbines and LED street lights. This matter was taken for information.

Item C – Rice Memorial Hospital 2014 Budget (Information). CEO Michael Schramm and CFO Bill Fenske reviewed the 2014 Budget, noting that revenues are projected to be flat compared to 2013. Consequently, in an effort to reduce costs, they are proposing a decrease of 15 FTE's in 2014. Mr. Fenske reviewed the statistics used in preparation of the budget as well as the current and past years' financial statements. The 2014 Budget reflects Net Operating Revenue of \$98,391,680 with Net Operating Expenses of \$96,387,705. Rice Hospital is projecting a Net Income of \$2,541,249 in 2014. Discussion included Inpatient versus Outpatient volumes, effects of federal government sequestration, the shift in Payer Mix to more governmental sources and less commercial sources, and bad debts. This matter was taken for information.

Item No. 3 – Comments From Mayor Yanish (Information)

Mayor Frank Yanish briefly addressed the council members, promoting the cuts he has previously proposed to travel, dues/memberships, professional services, and community funding requests with the excess to be allocated to street repairs.

Item No. 4 – Community Group Funding Requests (Motions)

Item A – Willmar Design Center - Motion. The Willmar Design Center's initial request totaling \$58,500 was reviewed. Council Member Christianson raised a concern about whether funding for the Willmar Design Center qualifies as public purpose. Chair Anderson responded that in May, 2012, the City adopted the Downtown Plan for which, without the Design Center, the City would need to staff the Plan's projects. Design Center Chair Gary Geiger spoke to the efforts of the Design Center, including the Robbins Island path, the Downtown SCDP applications processed with the HRA, future SCDP programs to be proposed, items in the Downtown Plan, grant applications, and achieving Accreditation by Minnesota Main Street making the City eligible for various grants.

Mayor Yanish raised a concern that a year ago Design Center Treasurer John Christianson stated that if we funded their request last year (2013) of \$32,000 that the Design Center would not request funds for 2014. Staff will research past minutes regarding this issue.

Council Member Dokken asked if all items in the Downtown Plan fit the definition of public purpose.

Following discussion, it was moved by Council Member Nelsen, seconded by Council Member Fagerlie, and passed with Council Member Ahmann voting against to make the following:

RECOMMENDATION: to approve \$32,000 of the Willmar Design Center's request for 2014.

Item B – Willmar Area Multicultural Market-Business Center (WAMM-BC) - Motion. The WAMM-BC's initial request totaling \$20,000 was reviewed. Administrator Stevens noted that since this is the first year that the City has received a request from WAMM-BC, any proposed funding should be initiated by the Council. WAMM-BC Representative Jeff Madsen explained that their focus is on job creation and economic development. Over the last year, they have helped create 54 new full time jobs and 13 new businesses. Council member Christianson raised a concern about whether or not this qualifies as public purpose. Additionally, he felt taxpayers are funding this

program more than once because of the funding WAMM-BC receives from multiple levels of government.

Following discussion, it was moved by Council Member Christianson and seconded by Council Member Johnson to approve \$-0- funding for WAMM-BC.

Following discussion, it was then moved by Council Member Nelsen, seconded by Council Member Fagerlie, and passed with Council Member Christianson voting against to make the following:

RECOMMENDATION: to amend the previous motion by approving \$10,000 of the Willmar Area Multicultural Market-Business Center request for 2014.

It was then passed with Council Member Christianson voting against to make the following amended:

RECOMMENDATION: to approve \$10,000 of the Willmar Area Multicultural Market-Business Center request for 2014.

Item C – West Central Integration Collaborative - Motion. The West Central Integration Collaborative's initial request totaling \$21,000 was reviewed. Council member Fagerlie noted that the Collaborative performs a lot of interpretive services on behalf of the City and wondered if this could be funded under professional services rather than community funding. Staff acknowledged this would be a possibility if the council so chooses.

Following discussion, it was moved by Council Member Fagerlie and seconded by Council Member Nelsen to approve \$21,000 for the West Central Integration Collaborative to be budgeted under professional services.

Following discussion, it was then moved by Council Member Christianson, seconded by Council Member Ahmann, and passed on a roll-call vote of 5 Ayes, 3 Nays with Council Members Deblieck, Fagerlie and Nelsen voting against to make the following:

RECOMMENDATION: to amend the previous motion by approving \$21,000 under Professional Services for interpretive services and issue a Request For Proposals for said services.

It was then passed to make the following amended:

RECOMMENDATION: to approve \$21,000 to be budgeted under 2014 Professional Services and issue a Request for Proposals for interpretive services.

Item D – Community Marketing Coalition - Motion. The Community Marketing Coalition's initial request for 2014 totaling \$2,000 was reviewed. It was noted that \$1,500 was funded for the Coalition in 2013. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Nelsen, passed to make the following:

RECOMMENDATION: to approve \$2,000 for the Community Marketing Coalition for 2014.

Item No. 5 – Mayor’s Reductions to the 2014 Budget (Motions)

Item A – Travel and Training - Motion. Council members reviewed a breakdown of the 2014 Proposed Budget for Travel/Training cost estimates listed as Mandatory, Best Practices and Voluntary.

Following discussion, it was moved by Council Member Nelsen and seconded by Council Member Fagerlie to fund the Travel/Training Budget at the City Administrator’s level of \$84,615 for the General Fund and \$9,950 for the Waste Treatment Fund.

Mayor Yanish expressed his support to fund all training needed for the police department and fire department but to cut other areas of travel costs.

It was then moved by Council Member Dokken and seconded by Council Member Ahmann to amend the previous motion by funding only the Mandatory Travel/Training portion at \$69,440. This motion failed with Council Member Dokken voting for it.

Council Member Nelsen expressed her support for fully funding the travel budget to enable new staff to receive adequate training, and all staff to receive ongoing training as needed, including diversity training.

Council Member Johnson stated that he appreciated the Mayor’s efforts in cutting costs but felt that travel and training is not the most prudent place to do so. Further, the differing amounts are pretty miniscule. Council Member Ahmann supported this opinion.

It was then passed to make the following:

RECOMMENDATION: fund the Travel/Training Budget for the General Fund at \$84,615 and for the Waste Treatment Fund at \$9,950.

Item B – Dues and Subscriptions - Motion. Council members reviewed a breakdown of the 2014 Proposed Budget for Dues/Subscriptions cost estimates listed as Mandatory, Best Practices and Voluntary.

Council Member Anderson specifically addressed the Coalition of Greater Minnesota Cities Dues in the amount of \$35,151. He spoke in favor of the Coalition, referencing the work they do in support of cities particularly with the State Legislature and the Governor.

Mayor Yanish expressed concern for excess costs incurred that were not necessary for the Coalition-sponsored conferences at which, in his opinion, minimal training was performed.

Council Member Nelsen provided a detailed report of the workshops presented at the Coalition conference she attended in November and expressed her opinion that this was very valuable for learning information and networking with other city mayors and council members.

Council Member Fagerlie asked if the Coalition would reduce their rate structure and staff responded that upon contacting the Coalition it was learned that was not an option.

Council Member Johnson spoke in favor of the Coalition citing the work they have done for cities at the State Legislature, specifically on Local Government Aid.

Mayor Yanish referred to an article he received in which Representative Urdahl asked for an investigation into employee conference spending citing a 3-day conference at Breezy Point at which they attended 6 hours of meetings and played 2 rounds of golf. Chair Anderson stated that apparently was an issue with State employees and did not pertain to the topic at hand.

Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Ahmann, and passed to make the following:

RECOMMENDATION: to approve \$35,151 in membership dues with the Coalition of Greater Minnesota Cities for 2014.

Council Member Christianson then offered a motion to set Dues and Subscriptions at \$72,507 which would include all costs as presented except for the National League of Cities (NLC) Dues in the amount of \$1,500. Council Member Dokken seconded this motion.

Council Member Nelsen spoke in favor of continuing the City's membership with the NLC. Mayor Yanish then asked if there were anything Council Member Nelsen wouldn't spend money on. Chair Anderson then stopped him, stating no one is to get personal in these discussions. Mayor Yanish left the meeting at 6:21 PM.

Following discussion, it was moved by Council Member Deblieck, seconded by Council Member Nelsen and passed with Council Member Christianson voting against to make the following:

RECOMMENDATION: to make a motion to amend the previous motion by adding \$1,500 back into the total of Dues/Subscriptions.

It was then passed to make the following amended:

RECOMMENDATION: to make a motion to set Dues and Subscriptions at \$74,007 for the General Fund, \$5,600 for Waste Treatment, and \$150 for Airport.

Item C – Professional Services - Motion. Council members reviewed the 2014 Proposed Professional Services budgeted amounts, by department, in the general fund and the airport fund totaling \$479,100. Following discussion, it was moved by Council Member Christianson, seconded by Council Member Dokken and passed to make the following:

RECOMMENDATION: to make a motion setting the 2014 Professional Services budget for the General Fund and Airport Fund at \$479,100 and for the Waste Treatment Fund at \$108,500.

Item No. 6 – Review of Vehicle Replacement Schedule (Information)

Council members reviewed the vehicle replacement schedule. Chair Anderson again noted the Council's new policy requiring any purchase over \$10,000 be brought to the applicable Committee for approval. The vehicles scheduled to be replaced in 2014 are included in the proposed 2014 budget. This matter was taken for information.

Item No. 7 – Review of Capital Improvement Program (Information)

Council members reviewed the 2014 Capital Improvement Program with staff noting that the amount budgeted for the Auditorium/Indoor Gun Range was increased to \$250,000 since the previous report. Furthermore, \$20,000 for the Fire Department Voice Amplifiers is to be removed from this list because that purchase will be done in 2013. After applying these changes, the new total of Cash funding needed for the 2014 Capital Improvements Program is \$1,250,450.

Following discussion, it was moved by Council Member Deblieck and seconded by Council Member Nelsen to approve the 2014 Capital Improvements Program as presented.

Following discussion, it was then moved by Council Member Christianson, seconded by Council Member Ahmann and passed to make the following:

RECOMMENDATION: to amend the previous motion by removing the Downtown Gateways project but leaving the amount budgeted for that project in the Capital Improvements Program to be used for another purpose as needed, in the time-frame allowed by City Charter.

It was then passed to make the following:

RECOMMENDATION: to approve the 2014 Capital Improvements Program as presented with the removal of the Downtown Gateways, leaving its budgeted amount in the Program for future use.

Item No. 8 – Health Insurance Reallocation of Funds (Motion)

Chair Anderson explained that a projected increase in health insurance costs estimated at \$183,000 had been included in the initial proposed 2014 budget. Since that time, notification has been received that health insurance rates are not increasing for 2014. It is staff's recommendation to reallocate this excess to the 2014 Capital Improvements Transfer, increasing the total transfer from the general fund to \$1,886,036.

Following discussion, it was moved by Council Member Fagerlie and seconded by Council Member Nelsen to approve reallocating the \$183,000 overage to the 2014 Capital Improvements Transfer.

It was then moved by Council Member Ahmann, seconded by Council Member Christianson, and passed to make the following:

RECOMMENDATION: to amend the previous motion by reducing the additional 2014 Capital Improvements Transfer allocation to \$178,000 and designate the remaining \$5,000 for the 2014 Holiday Parade.

It was then passed to make the following:

RECOMMENDATION: to reallocate the excess \$183,000 originally budgeted for 2014 health insurance expenditures to the 2014 Capital Improvements Transfer in the amount of \$178,000 and the 2014 Holiday Parade in the amount of \$5,000.

Item No. 9 – Approve Tax Levy and Set Budget (Resolutions)

Item A – Approve Tax Levy - Resolution. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Nelsen and passed to make the following:

RECOMMENDATION: to introduce a resolution setting the 2014 City property tax levy at \$4,139,734 which includes \$3,992,734 for the General Fund and \$147,000 for street/infrastructure; and setting the 2014 HRA Tax Levy at \$170,000.

Item B – Set 2014 Budget – Resolution. Following discussion, it was moved by Council Member Nelsen, seconded by Council Member Fagerlie and passed to make the following:

RECOMMENDATION: to introduce a resolution adopting the 2014 Budget as presented in the amount of \$15,757,236.

Item No. 10 – Old Business (Information)

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

Item No. 11 – 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 6:55 p.m. upon motion by Council Member Nelsen, second by Council Member Christianson, and carried.

Respectfully submitted,



Carol Cunningham
Accounting Supervisor