

**CITY OF EXCELSIOR
Hennepin County, Minnesota**

MINUTES

**City Council Work Session
Monday, July 25, 2011
6:30 p.m.**

1. Call to Order/Roll Call

Mayor Ruehl called the meeting to order at 6:33 p.m. Council members present: Caron, Fulkerson (left at 9:20 p.m.), Miller (arrived at 6:41 p.m.), Olson, and Mayor Ruehl. Also Present: City Manager Luger, Finance Director Carlson, Public Works Superintendent Wisdorf, City Planner Richards (arrived at 8:20 p.m.), and City Clerk Johnson.

2. Agenda Approval

Caron moved, Fulkerson seconded, to approve the agenda as presented. Motion carried 4/0.

3. GASB 54 Statement Compliance

Carlson stated that the Council began the GASB 54 discussion at a Work Session on May 16, 2011. Agreement was reached on the changes recommended for the Self Insurance, Compensated Absences, Public Works Capital Improvement, and Revolving Funds. There are five more funds that need to be discussed and finalized.

The Council asked if there was a way to track revenues and expenditures on the funds that are closed. Carlson said yes.

Carlson said the Cemetery Fund is currently a special revenue fund. The fund receives revenues from the sale of plots and interest. Staff is recommending closing the Cemetery Fund and recording the plot sales revenue in the General Fund where the expenditures are already being recorded. The Council concurred with staff's recommendation.

Carlson said that the Parking Lot Maintenance Fund is currently an enterprise fund. Staff recommends converting this to a special revenue fund since the assessment revenues are collected from specific properties for a specific purpose. The Council concurred with staff's recommendation.

Carlson reviewed the Dock Capital Fund next. She said that the capital funds related to other enterprise funds were closed in 2010. Staff is recommending that this capital fund be closed also and the cash from this fund be moved to the Dock Fund. The Council agreed with the staff's recommendation.

3. GASB 54 Statement Compliance – (Continued)

Carlson reviewed the Parking Meter Fund. Approximately 85% of the revenue is transferred back into the General Fund each year and there are no related expenditures. The remaining 15% accumulates in the fund each year.

The Council directed that \$30,000 of the revenues be allocated to the General Fund and remaining revenue be placed in the Public Works Capital Improvement Fund.

Carlson said the final fund to be discussed is the Special Revenue Fund. She stated that this fund cannot remain a special revenue fund. Carlson said that the City has a capital improvement plan in place, and the money could be placed in the Public Works Capital Improvement Fund to be used toward those expenditures.

The Council and staff discussed where to record the rental income and expenditures when the Special Revenue Fund is closed. The Council discussed keeping 40% of the rental income after expenses in the General Fund. The Council also discussed whether to increase the unreserved fund balance in the General Fund to help offset unforeseen expenditures and manage risk, and placing the remainder in the Public Work Capital Improvement Fund. The Council wanted more data on the dollar amounts and percentages for each of these items before making a decision.

The Council asked staff to provide the rental amounts and the end dates for each lease. The Council also requested that staff have the City Assessor run the numbers on the net rents for the old police site.

4. 2012 General Fund Budget – First Draft

Luger said that the 2012 budget continues to present the City with some unique challenges; this budget is still attempting to establish the City's 'new normal' since the recession and is reflecting the first adjustment to the South Lake Minnetonka Police Department's (SLMPD) formula.

The City's various sources of revenue (fees and permits) continue to remain inconsistent making it difficult for the City to establish a new normal and budget accordingly. Most of the revenue predictions for 2012 are conservative due to their unstable nature.

In accordance with the arbitration documents, the funding formula for the SLMPD is to be adjusted every five years with the first adjustment being effective for calendar year 2012. The proposed SLMPD budget with the formula adjustment accounts for 55% of the proposed 5% levy increase for the City.

The proposed budget has a 5% levy increase and has been balanced by utilizing \$10,684 of fund balance. The proposed budget has a 2% wage

4. 2012 General Fund Budget – First Draft – (Continued)

increase for all staff members which is slightly lower than 2010. The City Council has also expressed an interest in possibly implementing a market rate adjustment for the City Manager and Finance Director positions. If the City Council is interested in a market rate adjustment, the Council should consider how much to increase the salaries and how to fund the increases.

Luger asked the City Council to also consider making the City Planner position full-time. She said that staff believes that making this position full-time will increase customer service and save the City money.

The Council discussed the 5% tax levy. The City's cost for police services beginning in 2012 is increasing the levy 2.8%. The Council was not sure at this point what the tax levy should be.

The Council discussed whether to balance the budget utilizing a portion of the fund balance. Miller and Caron stated that they would not support using fund balance. Luger said based on the decisions the Council made regarding GASB 54 earlier in the meeting, the use of fund balance to balance the budget probably wouldn't be necessary.

The Council discussed the 2% wage increase for staff members and possibly implementing a market rate adjustment for the City Manager and Finance Director positions. The Council was in agreement with the 2% wage increase. The Council was also in favor of the market adjustment for the City Manager and Finance Director positions but stated that the adjustments might have to be phased in over two to three years.

The Council discussed making the City Planner position full-time. Luger noted that the position would be salaried if it was full-time. The Council had some concern that if the position became full-time applicants may not want to pay for a consulting City Planner. The Council asked staff to put together additional detail on the cost savings, benefits, travel and education, etc.

Carlson began reviewing the 2012 proposed budget for the City Council. She noted that the proposed budget reflected a 5% increase in tax levy.

The Council asked staff to put together an outline of the line items that were significantly increased and list the reason for the increase. The Council also asked staff to review the budget to identify items that could be reduced. The list should identify the item and state what the implications would be if the budget for this item was reduced.

4. 2012 General Fund Budget – First Draft – (Continued)

The Council discussed how much detail they needed when reviewing the budget. Most of the Councilmembers were alright with the summary data, but wanted staff to have the detail available at the meeting to answer any questions they may have. Caron stated that she would prefer to have all of the detail. The Council suggested that Caron work with staff to get the data.

5. Preliminary Discussion on Locations - Excelsior Brewery

John Klick and Jon Lewin, business partners, Excelsior Brewery, stated that their goal is to operate a brewery in the City of Excelsior and would like to be open for business and selling beer by January 1, 2012. They have explored a number of locations within the City for the brewery operation, but have been unsuccessful in securing a location. Some of the locations are not large enough and other locations would have been perfect but are not available.

Klick and Lewin stated that they would like to explore some of the City-owned sites. The sites they are interested in exploring are the old fire station, the City Hall/Library, and the East Municipal Parking Lot. They need about a 10,000 square foot building for the brewery and would prefer to be located within the downtown area.

Lewin had worked some numbers for a ground lease that would allow them to build a new building and possible parking deck in the East Municipal Parking Lot. The consensus of the Council was this option would take considerably more time to explore than some of the other locations.

The Council, City staff, Klick, and Lewin discussed the old fire station and City Hall/Library sites. The Council suggested that Klick and Lewin do more research on those sites and bring back a proposal if they are still interested in developing one of the sites.

Lewin said he noticed in the ordinance that the Council was considering to allow breweries as a conditional use in the business districts that it allowed for 3,500 barrels production of beer. Lewin said that 3,500 barrels is a very low amount. Lewin asked the Council to consider increasing the amount to 15,000 barrels. The Council agreed they were open to making that change. Staff stated that the change can be made to the ordinance before the second reading.

6. Other

None

7. Adjournment

Caron moved, Olson seconded, to adjourn the Work Session meeting at 9:33 p.m. Motion carried 4/0.

Respectfully submitted,

Cheri Johnson
City Clerk