

**CITY OF EXCELSIOR
Hennepin County, Minnesota**

MINUTES

**City Council Work Session
Monday, November 21, 2011**

5:30 p.m.

1. Call to Order/Roll Call

Mayor Ruehl called the meeting to order at 5:35 p.m.

Council members present: Caron, Fulkerson, Olson, Miller, and Mayor Ruehl.

Also Present: City Manager Luger, Public Works Superintendent Wisdorf, Consulting Finance Director Day, City Attorney Staunton (arrived at 6:25 p.m.), and City Clerk Johnson.

2. Agenda Approval

Olson moved, Fulkerson seconded, to approve the agenda as presented. Motion carried 5/0.

3. 2012 General Fund Budget

Luger said that the Council has reviewed the proposed 2012 General Fund Budget at two previous Council Work Sessions. The last time the Council reviewed the budget it had a 3% tax levy increase incorporated. The Council expressed the desire to have a 0% increase in the tax levy for 2012. Staff has closely examined each line item and has identified several reductions to various items to reduce the levy from an increase of 3.31% to 2%. Some items that still remain in the budget is: a 1% wage increase for all staff members, a market rate adjustment for the City Manager, and a \$75,000 salary for the Finance Director position.

To accomplish a 1% levy increase, the City would need to reduce all of the line items identified in the 2% levy increase scenario (\$18,108) and reduce the transfer to the Public Works Equipment Fund by \$13,900. This would not delay any purchases in the immediate future but would affect the fund long-term if the \$13,900 is not made up over time. To accomplish a 0% levy increase, the City would also need to reduce the transfer to the Public Works Capital Improvement Fund by \$13,900. By reducing the transfer to this fund, the City would be delaying the planning of a new City Hall which was budgeted for 2012 in anticipation of the library vacating the building.

Mayor Ruehl said he would prefer not to use fund balance but rather reduce the budget based on the City Council's discussions. Utilizing fund balance doesn't solve anything because you will need to make those dollars up later unless you find something else to cut. Also, when you give something up in the budget it is difficult to bring it back.

3. 2012 General Fund Budget - (Continued)

Olson asked what happens to the funds for a budget line item if the money is not spent. Staff stated that it remains in the fund balance.

Luger said she is suggesting the City use 2% fund balance until the details on staffing and contracts can be worked out for next year. The hope is that everything can be worked out and fund balance would not be needed.

Miller said his concern with using fund balance is that the City will need to double the tax levy increase in later years to make up the funding or cut something else.

Miller asked if the City does not raise the tax levy, how much fund balance will need to be used. Day said approximately \$27,200.

It was noted that the Council needs to be comfortable with the level of funding at this point. If at a later date the Council wants any of these items to come back, then the tax levy would need to be increased by that amount or find other revenues sources to fund them again.

Miller asked what is happening with the Special Purpose Fund. Day said that the Council discussed designating \$100,000 in the General Fund to cover unexpected expenses and then placing the remainder in a capital account.

Miller asked how this will affect the fund balance percentage if the funding is put in the General Fund. Day said that any funding that is committed for a specific purpose, those dollars are not factored into the fund balance.

Caron asked if staff calculated the long term impact on the budget if the City used fund balance. Luger said it was difficult because of all the assumptions. Day said that there are some inflators that were used that are probably not accurate. She noted that taking such a small amount from the fund balance will have a very limited affect.

Caron said she does not want to raise taxes; she would much rather make the budget cuts that are proposed and use fund balance to cover the remainder. The worst case scenario is if the City isn't able to find savings when the staffing and contracting is worked out, then the City borrows from the fund balance. Day said that the City can show a negative contingency item and then make it up next year. Then if the City isn't able to make the money up, it can reduce transfers and/or take the money from other things.

Miller said if the determination is made that the City needs a full-time Finance Director and City Planner, the Council needs to be alright with raising the levy more next year to make up the funding.

3. 2012 General Fund Budget - (Continued)

Mayor Ruehl said with the reduction in salary for the City Planner position would the cost be comparable to contracting out this position or does it allow for hiring more than an entry level person.

Mayor Ruehl said he would like a detailed list of what the City has cut over the last several years to get to where the funding level is today.

Luger said based on the Council's discussions, it appears that the Council is alright with the 1% increase in wages for staff, the cuts to the budget presented this evening, delaying the planning for the City Hall, and using fund balance to achieve a 0% tax levy increase and showing this amount as a negative contingency in the budget to be determined later.

The Council and staff discussed closing the Special Purpose Fund and where the funds should be allocated. It was decided that \$100,000 will be dedicated to the General Fund to cover unexpected expenses and then place the remainder into a capital account. The Council also discussed placing 40% of the net rent and related expenses into the General Fund and the remaining into the capital fund.

4. Planning Commission Membership

Staunton said that at the last Council meeting, the Council approved an Abatement Agreement that arranges for completion of the work on Chris Jensen's house at 243 Third Street. Now that the abatement issue has been resolved, the Council needs to close the loop on the issue of Chris' membership on the Planning Commission.

At the September 12 Council Work Session, the Council addressed this issue. Council Members Olson and Fulkerson and City Manager Luger were to meet with the individual and bring back a recommendation to the City Council.

On October 13, Council members Olson and Fulkerson, Luger, and Staunton met with Mr. Jensen. At the conclusion of that meeting, everyone thought the issue had been resolved. Circumstances changed after that meeting, so Council Members Olson and Fulkerson would like to revisit the issue with the full Council.

Olson said he is not sure the Council should get involved in this. Miller said if Jensen doesn't want to resign and the Planning Commission would like him to stay on the Commission he is alright leaving him on the Planning Commission.

Fulkerson said she doesn't think it is right to have someone on an advisory commission who is not in compliance with City Code advising others. Olson said the facts are not clear.

4. Planning Commission Membership – (Continued)

Caron said there are standards that builders and contractors need to follow. The City tried to contact Jensen and he did not respond. The City does have a lot of new inexperienced Planning Commissioners and Jensen is a valued Commissioner. However, if there is an advisory commissioner who is in violation of the City Code that's an issue. The Council has not been in the habit of calling advisory commissioners on items, but in this case she thinks the Council should have a discussion with Jensen.

The Council decided it wanted to have a conversation with Jensen. The staff was directed to contact Jensen and request that he attend a future Work Session to discuss this item.

5. Other

None.

6. Adjournment

Fulkerson moved, Olson seconded, to adjourn at 6:58 p.m. Motion carried 5/0.

Respectfully submitted,

Cheri Johnson
City Clerk