

CITY OF EXCELSIOR
Hennepin County, Minnesota

MINUTES

City Council Work Session

Monday, September 17, 2012

1. Call to Order/Roll Call

Mayor Ruehl called the meeting to order at 6:15 p.m.

Councilmembers present: Caron, Miller, and Mayor Ruehl

Councilmembers absent: Fulkerson and Olson

Also Present: City Manager Luger, Finance Officer Tumberg,
and City Clerk Johnson

2. Agenda Approval

Caron moved, Miller seconded, to approve the agenda as presented. Motion carried 3/0.

3. Preliminary 2013 Enterprise Fund Budgets

Tumberg said that the global changes that affect most of the Enterprise Funds include contingency amounts for the severance pay related to the City Clerk's planned 2013 retirement, a wage increase of 2% for all City employees, a health insurance premium increase of the maximum 8.5%, and a decrease in wages and salaries due to the reorganization of City Hall.

Tumberg said that the preliminary budget reflects no rate increases for the utilities in 2013. She reviewed the Water Fund. The water sales estimate has been decreased for the 2013 budget because the 2012 estimate was too aggressive. The 2012 revenue, however, is on track with the budget due to the City receiving unbudgeted water availability fees (WAC fees) related to various developments. The 2013 budget includes an additional \$4,240 in expense to accommodate for half of the Minnesota Pollution Control Agency (MPCA) fine that is payable over a two-year period. Operating transfers to the General Fund are being phased out because staff time and supply costs are being allocated directly to the Water Fund.

Capital items listed on the capital improvement plan in the preliminary budget include water-related costs associated with the Metropolitan Council Forcemain Project, improvements to the water plant and water softener, upgrading water hydrants, and rehabbing one of the City's wells. The preliminary budget shows a use of fund balance in the amount of \$318,641, which is to cover the capital improvements. The City has been building fund balance to pay for these types of projects. If the Council would prefer not to use fund balance, it could pursue bonding for the projects and pay for them over time or raise utility rates to help pay for the improvements.

3. Preliminary 2013 Enterprise Fund Budgets – (Continued)

The Council and staff discussed the MPCA fine and required water testing. The Council asked staff to put together information showing what percentage of the fund balance is allocated to operating expenses and what percentage is for capital improvements, and compare that to what the recommend amount the City should have as a fund balance in the Water Fund. Tumberg said that with GASB 54, the fund balance is not reflected that way but the City can do an internal policy to reflect what the percentage should be for operating expenses and how much should be saved for capital improvements.

The Council and staff discussed how important it is to make sure that the utility rates are covering the operating costs and future capital projects. It helps that there has been a significant amount of the City's infrastructure upgraded within the last couple of years.

Caron asked why future revenues for water and sewer availability charges are not included in the proposed budget. Tumberg said that it is typically not added into the budget in case a project doesn't go forward. Staff also has no way of knowing how much to charge for each project; the City bases its charges on the number of units that the Metropolitan Council establishes.

Tumberg reviewed the Sewer Fund budget. She said that the revenue is comparable to prior years. She said the revenues reflect a reduction of \$30,000 for the State Grant that the City received related to inflow and infiltration reduction. The budget includes a \$24,008 decrease in Metropolitan Council wastewater charges. Operating transfers to the General Fund are being phased out because staff time and supply costs are being allocated directly to the Sewer Fund. Capital items listed on the capital improvement plan in the preliminary budget include sewer-related costs associated with the Metropolitan Council Force Main Project, sewer lining improvements, and construction of the park lift station located in The Commons. The preliminary budget shows a use of fund balance in the amount of \$98,186, which is to cover the capital improvements. The City has been building fund balance to pay for these types of projects. If the Council would prefer not to use fund balance, it could pursue bonding for the projects and pay for them over time or raise utility rates to help pay for the improvements.

Tumberg reviewed the Solid Waste Fund. She said that there are no major items to be noted within the preliminary 2013 budget for this fund except for the decrease in wages and salaries associated with the reorganization of City Hall. She said that the preliminary budget shows a net income of \$708.

The Street Lighting Fund is very close to the 2012 budgeted amounts. There were only minor changes within line items in this budget. The preliminary budget results in a net increase in fund balance of \$1,447.

3. Preliminary 2013 Enterprise Fund Budgets – (Continued)

Tumberg said that the Docks Fund shows a decrease in excursion boat permit revenue because one of the charter boat companies went out of business. Residential dock revenue was also lowered to be more conservative in the City's estimates. Leased Dock expenses for 2013 are comparable to the 2012 budgeted amounts. Major changes include increases in budgeted expense related to insurance and depreciation to bring them more in line with actual expense. Public Dock expenses for 2013 are 2% higher than the previous year and are increased primarily because of the severance budgeted for the planned retirement of the City Clerk. Residential Dock expenses for 2013 have increased significantly from the 2012 budget; however, the majority of the increase is due to depreciation which is a non-cash expense. Overall the Dock Fund preliminary budget reflects an overall increase in fund balance of \$35,503.

Tumberg said the Surface Water Management Fund is unchanged from the 2012 budget. Major expense factors for the 2013 Surface Water Management Fund include decreases in wage and benefit expense due to City Hall's reorganization. There is also a large decrease in engineering fees budgeted for 2013 based on the history of engineering fees related to Surface Water Management. The preliminary budget includes stormwater related expenses associated with the Metropolitan Council Forcemain Project and stormwater improvements from George Street to Oak Street. The preliminary budget reflects a use of \$74,524 of the fund balance.

4. Discussion Regarding Tax Increment Financing

Luger said that at the August 6th City Council Work Session the Council discussed possible uses for Tax Increment Financing (TIF) and whether to entertain the idea of utilizing TIF that could be generated from the hotel for public improvements. She suggested that the Council continue this discussion to a future Council Work Session.

Mayor Ruehl said of all the things that the City has already identified, the only item he would be interested in doing is watering The Commons. Even that is questionable. He asked Wisdorf if the City can get permission to pull water from the lake to water The Commons. Wisdorf said that there is a limit on how much water can be pulled from the lake each day.

Mayor Ruehl said all of the other items that are listed are minor and would not cost a lot of money to do.

Mayor Ruehl asked if the City decides to do TIF would there be enormous reporting requirements on the developer. Staff said it would depend on if the improvements are on the developer's property or on the City rights-of-way.

4. Discussion Regarding Tax Increment Financing – (Continued)

Luger said that if the Council wants to utilize TIF from the hotel project for park improvements, the City's financial advisor, Springsted, said it would be possible. She asked that Councilmembers let staff know what projects they might like to see done with TIF funding and staff will work on it.

5. Preliminary Long Term Financial Plan

The Council continued this item to a future Work Session.

6. Other

None.

7. Adjournment

Miller moved, Caron seconded, to adjourn the meeting at 6:58 p.m. Motion carried 3/0.

Respectfully submitted,

Cheri Johnson
City Clerk