

City of Excelsior  
Hennepin County, Minnesota

MINUTES  
EXCELSIOR CITY COUNCIL WORK SESSION

Monday, October 7, 2013

**1. Call to Order/Roll Call**

Mayor Gaylord called the meeting to order at 6:10 p.m.

Present: Councilmembers Beattie (arrived at 6:15 p.m.),  
Fulkerson, Miller, and Mayor Gaylord

Absent: Councilmember Caron

Also Present: Interim City Manager Johnson, Finance Officer Tumberg,  
Public Works Superintendent Wisdorf, and City Clerk  
Murphy

**2. Agenda Approval**

Fulkerson moved, Miller seconded, to approve the agenda. Motion carried 4/0.

**3. Review 2014 Preliminary Special Revenue, Debt Service, Capital Project and Enterprise Fund Budgets**

Tumberg presented the preliminary 2014 Special Revenue, Debt Service, Capital Project, and Enterprise Fund budgets for the Council to review and discuss.

Special Revenue Fund - Parking Lot Maintenance

Tumberg stated that the Parking Lot Maintenance Fund is very similar to previous years. One notable change is the value for salaries and wages in the 2013 budget inadvertently excluded the allocation for a couple of employees. This error has been fixed in the preliminary 2014 budget and is why wages and benefits reflect such a drastic increase from 2013 to 2014.

Debt Service Fund - 2010A General Obligation Funds

Tumberg stated that the City's only Debt Service Fund budget is for the 2010A bonds issued for the 2010-2011 street projects. The expenses for this fund are consistent from year to year, however, during 2013 congress decided to reduce the interest credit the City was receiving on these bonds. The interest credit was reduced by 8.7 percent as part of budget cuts due to the federal sequester. This reduction in interest refund is supposed to only affect 2013 payments; however, with the uncertainty of the federal budget and spending plans, the City is taking a conservative approach and projecting another reduction for the 2014 budget.

Tumberg noted that the City is required to have 105% of next year's bond payment amount in the Debt Service Fund. The fund is sufficient at this time, but the City may need to allocate a portion of its levy to this fund in future years to be able to meet the minimum requirement.

### **3. Review 2014 Preliminary Special Revenue, Debt Service, Capital Project and Enterprise Fund Budgets – (Continued)**

Enterprise Funds - Water Fund, Sewer Fund, Solid Waste Management Fund (Trash & Recycling), Street Lighting Fund, Docks fund (Leased, Public & Residential) and Surface Water Management Fund

#### Water Fund

Tumberg said that the notable changes in the preliminary Water Fund budget for 2014 include the following:

- Increase water rates two percent to help cover the costs of major capital improvements
- Increase in personnel costs due to a projected increase in salaries and health care costs
- Decrease in supplies and maintenance costs
- Decrease in operating transfer to the General Fund to phase out the staff time and supply costs that are being allocated directly to the Water Fund
- Decrease in debt-related costs due to the payoff of the 2002A Water and Sewer Revenue Bonds

Major capital improvement projects are scheduled for 2014 and include costs related to the 2014 Metropolitan Council Forcemain Project and water plant facility upgrade that was mandated by the Minnesota Pollution Control Agency. The City intends to fund the water plant facility upgrades through a low interest loan from the Public Facilities Authority. The costs of the 2014 Metropolitan Council Forcemain Project will be funded through reserves with the assistance of an interfund loan.

#### Sewer Fund

Tumberg reviewed the preliminary 2014 Sewer Fund budget. She noted that there were significant changes to the following:

- Reduction in revenues due to a proposed decrease in sewer rates of two percent
- Metropolitan Council wastewater charges decreased \$4,708 or 3.45 percent
- Decrease in operating transfer to the General Fund to phase out staff time and supply costs that are being allocated directly to the Sewer Fund

The capital items listed in the capital improvement plan for sewer are included in the preliminary budget. These items include sewer-related costs associated with the Metropolitan Council Force Main Project, sewer lining improvements and the Sewer Availability Charge (SAC) fee for the water plant's new water softener.

**3. Review 2014 Preliminary Special Revenue, Debt Service, Capital Project and Enterprise Fund Budgets – (Continued)**

Tumberg stated that by increasing some of the utility rates and decreasing others, the overall impact on the typical utility bill will be minimal.

Fulkerson asked how the water rate can go up 2% and the sewer down 2% when the sewer is based on water usage. Tumberg stated that the sewer is based on the water usage for the 1<sup>st</sup> and 4<sup>th</sup> quarters. The 2<sup>nd</sup> and 3<sup>rd</sup> quarters are calculated using an average of the water usage in the 1<sup>st</sup> and 4<sup>th</sup> quarters for the rate.

Solid Waste Fund

Tumberg stated that the City's Solid Waste Fund accounts for activity related to trash and recycling collection, which is coordinated by the City. The preliminary 2014 budget includes an increase in the trash and recycling rates which equate to a \$1.05 and \$0.25 increase, respectively, per quarter. These increases are necessary to keep up with the City's contract increase for 2014 of 1.9 percent. She noted that personnel expenses increased quite significantly in the 2014 budget due to reallocation of staff time and general wage and health insurance increases.

Tumberg said that staff is recommending charging \$4/quarter for the Spring Cleanup rather than a one time \$15 charge in the Spring.

Fulkerson asked if the City should charge those residents who use the service versus all residents. Johnson stated that it would be too labor intensive to keep track of which residents place items curbside. Residents that put out larger items pay separately to have those items picked up. She noted that this past year the City picked up everything curbside and the costs went down. She said the City also did not have to staff the Public Works site to accept drop offs.

Street Lighting Fund

Tumberg said that the preliminary 2014 revenue and expense budget for the City's Street Lighting Fund is similar to the 2013 budgeted amounts. There were minor changes to the revenue projection and decreases in transfers out. The fund is not projected to have any significant changes in revenue. She noted that the City is currently building up the fund balance so that the City can do several street lighting projects.

Beattie asked if the City was doing any street lighting projects in conjunction with the Metropolitan Council Forcemain Project. Wisdorf said that the City is planning to lay conduit for future street lighting as part of next year's project. This year and next year, the City is replacing some of the street light wiring along Water Street.

Docks Fund

Tumberg said that the 2014 preliminary revenue budget for the Docks Fund shows an increase in parking meter revenues. Staff has increased this line item to reflect the actual revenue amounts that have been collected over the last two years.

**3. Review 2014 Preliminary Special Revenue, Debt Service, Capital Project and Enterprise Fund Budgets – (Continued)**

Tumberg said that residential dock rates are proposed to be increased three percent for 2014 in order to help payoff inter-fund loans. She noted that one of the interfund loans was paid off in 2013. There are two interfund loans remaining that go through 2022. The City can pay back these loans earlier if there is enough funding.

Commercial dock revenues were increased 2.33 percent. The increase is based on the Consumer Price Index (CPI) that is outlined in the City's contract with the commercial boat companies.

Expenses in the Dock Fund are similar to prior year budgets and are projected to decrease slightly.

Tumberg stated that at the Minnesota Government Finance Officer's conference she learned that dock related items will not be eligible for the sales tax exemption. The League of Minnesota Cities is working on getting this changed.

Surface Water Management Fund

Tumberg reviewed the preliminary 2014 budget for the Surface Water Management Fund. She noted that the revenue is slightly lower than the 2013 budget. Overall, the expenses are similar to the 2013 budget. The only major capital project slated for 2014 is the surface water portion of the 2014 Metropolitan Council Forcemain Project. There is no increase in rates projected for 2014, but there are rate increases identified in future years in the long term plan.

Capital Project Funds - Public Works Equipment Fund, Park Improvement Fund, TIF 1-1 Fund, TIF 1-2 Fund, Capital Improvement Fund

Tumberg said that the City's capital project fund budgets reflect the projects that are identified in the Capital Improvement Plan (CIP).

Mayor Gaylord asked why these funds are titled "Enterprise Funds". Tumberg said that this is what government accounting titles them; these funds are operated more like a business and can generate a profit.

Mayor Gaylord said that he noticed some of these funds have allocations for personnel and others do not. He asked how it is determined which funds have personnel costs and what percentage of the personnel costs should be allocated to each fund. Tumberg said that staff identify on their timesheet how much of their time is spent doing work in each department and then that percentage is applied to the personnel costs. She noted that staff has a spreadsheet that shows how the personnel time is split out between each of the funds. Mayor Gaylord said that it would be helpful for the Council to see the spreadsheet.

Mayor Gaylord asked that the line item "Leased Docks" be changed to "Commercial Leased Docks" so it is easier to identify which docks are being discussed and the language is consistent throughout the budget document.

**3. Review 2014 Preliminary Special Revenue, Debt Service, Capital Project and Enterprise Fund Budgets – (Continued)**

Mayor Gaylord asked why the residential dock fees weren't being increased substantially. Tumberg said that under the City's policy, rates cannot be increased more than 5% in any one year. Based on the expenditures that the fund needed to cover, staff thought a 3% increase was reasonable. The Council ultimately decides what the increase should be.

Mayor Gaylord said that the City should charge a fixed fee per dock versus basing it on the boat length. With the current rate structure, the City is missing out on money from renting the dock to a 15 foot boat versus a 24 foot boat. Changing the rate structure might nudge some people off the docks and allow docks for others on the waiting list.

Miller said that this was discussed one year and the conclusion was that it would be a hardship for the smaller boats to pay the larger fee. Johnson said that a 15 foot boat currently paying \$1,470 was charged the rate that a 24 foot boat pays, it would raise their rate \$882. Johnson said that the Park and Recreation Commission have forwarded the recommendation to the City Council that there be a flat fee versus based on the footage.

Miller said that when the policy was established, the City's rationalization wanted to make sure it had adequate funding to cover the depreciation of the docks and also have a some funding that could be transferred into the General Fund to cover some of the City's costs and keep the tax levy down. The City of Excelsior's rates are higher than most of the other cities.

The Council decided that it would like to discuss the rate structure for the docks at a future meeting.

Beattie said that if the City has the capital for a 24-foot boat, the City should charge for a 24-foot boat.

Fulkerson said that she thinks it would be unfair to suddenly change the rate structure. Beattie said that maybe there is an opportunity to phase in or grandfather those residents for a number of years.

Johnson said that staff can compile the statistics on the length of the boats that were at the docks in 2013.

Mayor Gaylord said with 30% of the proceeds going back into the General Fund, all of the properties benefit from this. He said that the City needs to put an orderly process in place when this is discussed.

Mayor Gaylord asked if the commercial boats are seeing an increase every year. Johnson said yes.

Beattie asked if the City's fees are in line with Wayzata for the big commercial boats. Johnson said that Excelsior's fees have been higher. She noted that Wayzata does not charge surface water or parking maintenance fees.

**3. Review 2014 Preliminary Special Revenue, Debt Service, Capital Project and Enterprise Fund Budgets – (Continued)**

Tumberg asked the Council if they had any questions or changes for the Capital Improvement Plan. The Council said no.

Tumberg said that the preliminary 2014 budget is on the Council's October 21<sup>st</sup> agenda. The City's Charter requires that the budget be placed on a regular Council meeting in October to allow for public input.

**4. Adjournment**

Fulkerson moved, Beattie seconded, to adjourn at 6:53 p.m. Motion carried 4/0.

Respectfully submitted,

Cheri Johnson  
Interim City Manager