

**FINANCE COMMITTEE REPORT
CITY OF WILLMAR
MONDAY, MAY 14, 2012**

The Finance Committee of the Willmar City Council met at 4:45 p.m. on Monday, May 14, 2012, in Conference Room #1 at the City Office Building. Chair Denis Anderson called the meeting to order.

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| Members Present: | Denis Anderson | | Chair |
| | Rick Fagerlie | | Vice Chair |
| | Jim Dokken | | Member |
| | Tim Johnson | | Member |
| | Charlene Stevens | | City Administrator |
| | Steve Okins | | City Finance Director |
| | Kevin Halliday | | City Clerk/Treasurer |

Others present included Mayor Frank Yanish; Fire Chief Marv Calvin; Mike Schramm and Bill Fenske of Rice Memorial Hospital; Larry Heinen of Willmar Municipal Utilities; HRA Executive Director Jill Bengtson; representatives from Bethesda Health and Housing; and Carol Cunningham, Accounting Supervisor.

Item No. 1 – Fire Department Retirement Allocation (Resolution)

Staff explained to the Committee that with the change in retirement plans from the Firefighter Relief Association to the State PERA system, the City experienced a \$14,552 obligation in the transition period. As discussed during previous meetings, this annual cost should be reduced to zero until the year 2017. The 2012 Budget currently reflects \$25,000 appropriated for this expenditure. It is being requested that the 2012 budget be amended by reducing the amount allotted for this expenditure from \$25,000 to \$14,552 to more accurately reflect costs. Further, the budgeted difference should be transferred to Non-Departmental to be available for future budget issues that may surface. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Dokken and passed to make the following:

RECOMMENDATION: to introduce a resolution amending the 2012 Budget by reducing Fire Department Expenditures by \$10,448 and increasing NonDepartmental Expenditures.

Council Member Johnson arrived at this time.

Item No. 2 – Rice Memorial Hospital 1st Quarter Financial (Information)

Rice Hospital CEO Mike Schramm and CFO Bill Fenske reported to the Committee that the first quarter of 2012 reflects a net loss of \$476,101. Hospital revenues were less than budgeted in part because inpatient services and surgeries were significantly lower than anticipated. Net expenses for the quarter were at budget. Debt service coverage was 2.0 which remains greater than the debt covenant requirement of 1.25. After discussion, this matter was taken for information.

Item No. 3 – Willmar Municipal Utilities 1st Quarter Financial (Information)

MUC Interim Co-Manager Larry Heinen reported to the Committee that the first quarter of 2012 reflects a net income of \$965,109. Utility revenues have increased overall yet water consumption continues to decline. Expenses also show a decrease to date in 2012. After discussion, this matter was taken for information.

Item No. 4 – Willmar HRA/Bethesda Conduit Financing (Resolution)

HRA Executive Director Jill Bengtson explained to the Committee that the HRA has received a request from Bethesda Health and Housing to issue conduit bonds for the purpose of consolidating existing principal bond debt and saving interest expense. The HRA Board of Commissioners has formally approved this request and it was noted that since this is a refunding project, a public hearing is not required. Bethesda is looking to refinance 1998, 2004, and 2009 Nursing Home Revenue Bonds. It was noted that this bond issue will not be an obligation of the City nor will it reduce the City's bonding capabilities. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Dokken and passed to make the following:

RECOMMENDATION: to introduce a resolution approving the issuance of Nursing Home Revenue Refunding Notes for Bethesda in an amount not to exceed \$10,400,000.

Item No. 5 – Municipal Tort Limits (Resolution)

Staff presented details of the current statutory tort liability limits to the extent of the coverage purchased from the League of Minnesota Cities Insurance Trust. A decision must be made annually whether to waive the limits.

If the City does not waive the statutory tort limits, an individual claimant would be able to recover no more than \$500,000 on any claim to which the statutory tort limits apply. The total which all claimants would be able to recover in a single occurrence to which the statutory tort limits apply would be limited to \$1,500,000. If the City waives the statutory tort limits and purchases excess liability coverage, a single claimant could potentially recover an amount up to the limit of the coverage purchased. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to the amount of coverage purchased, regardless of the number of claimants. Staff was recommending not to waive the statutory tort limits at this time. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Dokken, and passed to make the following:

RECOMMENDATION: to introduce a resolution stating the City will not waive the statutory tort limits.

Item No. 6 – Industrial Development Fund Budget Amendment (Resolution)

Staff explained to the Committee that the City had planned to sell excess land and develop the old airport site during 2012. Local Option Sales Tax funding expires at the end of the year and land releases were anticipated. However, due to the delay in receiving the land releases and the time needed to develop the plan, the City and the project would be better served by delaying \$4,000,000 in Development Costs until 2013. Further, 2012 budgeted revenues would be reduced by \$756,711 for land sales and rental. Following discussion, it was

moved by Council Member Fagerlie, seconded by Council Member Dokken, and passed to make the following:

RECOMMENDATION: to introduce a resolution amending the 2012 Industrial Development Fund Budget by reducing land sales and rental revenues by \$756,711 and by reducing Development Expenditures by \$4,000,000 and to transfer these amounts to the 2013 Industrial Development Budget.

Item No. 7 – 2012 Departmental Budget Amendments/Car Allowance (Resolution)

Staff reported to the Committee that due to Council's determination to reassign vehicles, Labor Contracts require car allowance payments in lieu of vehicle use for affected employees. Historically, these payments have not been funded by the applicable department. Consequently, a budget amendment is required to reallocate \$12,983 from Non-Departmental to Police Department \$4,200, Fire Department \$4,261, and Engineering \$4,521. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Anderson and concluded with two ayes, one nay by Council Member Johnson, and one abstention by Council Member Dokken for the following:

RECOMMENDATION: to introduce a resolution amending the 2012 Budget by reallocating \$12,983 from Non-Departmental to Police Department \$4,200, Fire Department \$4,261, and Engineering \$4,521 to meet car allowance obligations under the labor contract.

Item No. 8 – Street Program Financing (Resolutions)

Staff presented to the Committee the 2012 Street Improvements Budget per bids received for Street Project No. 1. The other projects in this Budget remain as Engineer's estimates until such time bids are let. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Dokken, and passed to make the following:

RECOMMENDATION: to introduce a resolution adopting the 2012 Street Improvements Budget as presented.

Staff presented the Street Improvements Budget for Project 1101-12 estimated at \$513,800 under which work began in 2011 in advance of funding due to unanticipated street malfunctions. Following discussion, it was moved by Council Member Dokken, seconded by Council Member Johnson, and passed to make the following:

RECOMMENDATION: to introduce a resolution approving the Street Improvements Budget for Project 1101-12 in the amount of \$513,800 as presented.

Staff explained to the Committee that Council action is required to sell General Obligation Bonds to finance the 2012 Street Improvement Program and that a public hearing needs to be held for the proposed bond issue. Following discussion, it was moved by Council Member Dokken, seconded by Council Member Fagerlie and passed to make the following:

RECOMMENDATION: to introduce an ordinance to sell General Obligation Bonds to finance the 2012 Street Improvement Program and set a public hearing for June 4, 2012 for consideration.

Item No. 9 – 2013 Budget Process/Administrator Update (Information)

Administrator Stevens reported to the Committee that initial calculations show 2013 projected revenues are coming in flat and projected expenditures are not. Consequently, the 2013 budget schedule is being adjusted by delaying the department head presentations temporarily to allow more time to close the gap between revenues and expenditures. Areas being considered include Professional Services, Seasonal Employment, Community Organizations Funding, overall administrative structure, and contracting for services. The preliminary Capital Improvements Plan was also discussed which shows capital needs over the next five years. This matter was taken for information.

Item No. 10 – Miscellany (Information)

Council Member Fagerlie raised a request that any City representative who attends conferences should present information obtained from those events to the Council, either in writing or as a presentation during a council meeting. This matter was taken for information.

There being no further business to come before the Committee, the meeting was adjourned at 5:52 p.m. upon motion by Council Member Fagerlie, seconded by Council Member Dokken, and carried.

Respectfully submitted,

Carol Cunningham
Accounting Supervisor