

FINANCE COMMITTEE

MINUTES

The Finance Committee of the City of Willmar met on Monday, August 22, 2016, in Conference Room No. 1 at the City Office Building.

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| Present: | Denis Anderson | | Chair |
| | Tim Johnson | | Vice-Chair |
| | Rick Fagerlie | | Member |
| | Shawn Mueske | | Member |

Others present: City Administrator Larry Kruse, Finance Director Steve Okins, City Clerk Kevin Halliday, Fire Chief Frank Hanson, and David Euerle of Westberg & Eischens.

Item No. 1 Call to Order

The meeting was called to order by Chair Anderson at 4:45 p.m.

Item No. 2 Public Comments

There were no comments from the public.

Item No. 3 2015 Comprehensive Annual Financial Report (Information)

Finance Director Okins explained to the Committee that the 2015 Comprehensive Annual Financial Report (CAFR), as submitted to the State Auditor's office, is presented annually to the Council for review. Over the last couple of meetings, the Finance Committee has reviewed and discussed the Management Letter, Footnotes, and General Fund Budget-To-Actual Comparison sections of this report, including discussion of cash and fund balances. It was noted that the 2015 CAFR was distributed to the Council Members and also can be found on the City's website.

David Euerle of Westberg & Eischens reviewed their Governance Communication Letter with the Committee in which GASB 68 was discussed as it relates to the City of Willmar's part of the PERA Pension Plan Liability. As of December 31, 2015, the City's share totaled \$5.9 million. Of that amount, \$5.3 million was recorded for prior years with \$600,000 recorded for the current year of 2015.

The Governance Communication Letter also made some recommendations for policy improvements. One area was in budget management where the legal level of budget control is at the department level. To date, the Council had been authorizing budget amendments when circumstances change during the year. However, there is no formal action taken when department expenditures exceed the budget. It is recommended the Council implement policies for formally authorizing a department to exceed the budget. It was noted that the Committee has already established a new process of receiving requested budgetary amendments quarterly. Mr. Euerle felt this would be an appropriate improvement to the City's process.

Another area of recommended policy improvements was in the fund balances. The City has already adopted a formal fund balance policy which states that fund balances can only be committed by formal action by the City Council. Many of the committed balances in the general fund are not supported by a council resolution. It was being recommended that the Council pass a resolution specifying the purpose of the committed amounts.

Mr. Euerle also provided a presentation on the General Fund Revenues, General Fund and Capital Improvement Funds Fund Balances, Fund Balances versus Expenditures, and the Waste Treatment Fund. Waste Treatment Rates have been set through 2017 incorporating the requirements of maintaining six

months of operating funds and twelve months of debt service funds on hand. It was noted that the City is on pace with that requirement.

Additional discussion included information in the 2015 Financial Statements, the requirement for 2016 regarding the disclosure of the details of any tax abatements approved by the Council, and the need to develop a plan to address concerns of how internal controls will be impacted by the Treasurer's duties being transferred to the Finance Department.

This matter was for information only.

Item No. 4 ACH Banking Changes (Information)

Staff explained to the Committee that the National Automated Clearing House Association (NACHA) is implementing the "Same Day ACH" Rule which will be spread over three phases. The "Same Day ACH" Rule opens the door to same-day processing of virtually any domestic ACH Payment. Effective September 23, 2016, Phase I of the "Same Day ACH" Rule goes into effect and applies to credits only (i.e. payroll). Phase 2 is planned for September 15, 2017, and will allow for "Same Day ACH" debit transactions. Phase 3 is planned for March 16, 2018. This last phase will require financial institutions to credit "Same Day ACH" transactions by 5:00 PM local time.

This matter was for information only.

Item No. 5 Set Special Assessment Hearing for Oslo Meadows Parcels (Motion)

Staff explained to the Committee that there are six lots in Oslo Meadows that were sold in late 2015 which require additional assessment for the 2005 Street & Other Improvements. These sales were too late to make the November 1, 2015, certification deadline for Kandiyohi County. The sale prices for two of the lots were remitted to the City of Willmar with the normal County Settlement. The four remaining lots were sold on a Contract for Deed with Kandiyohi County. For those four lots, the County Auditor will remit the total sale price to the City only when paid in full which is anticipated to be about three to four years from now. Given the known sale prices, staff has determined that the remaining two years of the 2005 Special Assessments for these six parcels will be unpaid. Staff is requesting that the Council hold a public hearing on September 19, 2016, to take testimony from the new buyers and then certify the remaining dollar amount against the said parcels for five years at the stated project interest rate of 5.5%. The six lots in question are as follows:

| <u>Name</u> | <u>Parcel ID</u> | <u>Description</u> | <u>Sale Price</u> | <u>Pending Assessment</u> |
|------------------------------|------------------|--------------------|-------------------|---------------------------|
| Robin A. Javaherian | 95-604-0060 | Blk-1, Lot 6 | \$7,686.00 | \$2,325.76 |
| Robin A. Javaherian | 95-604-0080 | Blk-1, Lot 8 | \$7,864.00 | \$2,325.76 |
| David M. and Karen M. Cram | 95-604-0430 | Blk-3, Lot 24 | \$7,760.00 | \$2,325.76 |
| David M. and Karen M. Cram | 95-604-0440 | Blk-3, Lot 25 | \$7,682.00 | \$2,325.76 |
| John H. and Debra L. Schmitz | 95-604-0450 | Blk-3, Lot 27 | \$7,682.00 | \$2,325.76 |
| John H. and Debra L. Schmitz | 95-604-0460 | Blk-3, Lot 27 | \$7,674.00 | \$2,325.76 |

Following discussion, Council Member Fagerlie made a motion to set a public hearing for 7:01 PM on September 19, 2016, for the Oslo Meadows 2005 Street & Other Improvements Special Assessments remaining due on the six parcels as presented. Council Member Mueske seconded the motion which carried.

Item No. 6 Fire Station Roof Replacement (Resolution)

Staff reported to the Committee on the condition of the Fire Station roof. Whenever there is a hard rain or melting snow, the roof leaks which has caused damage to the suspended ceiling as well to electrical fixtures, making it unsafe for employees to work. The roof is also pulling away from the sides of the building. Over the years there have been several repairs done but it is now time for a total replacement. The existing roof over the garage area and office area of the fire station was last replaced in 1996 and the roof over the training room addition that was constructed in 1990 has never been replaced. Two quotes have been

received for installing 60 mil roofing material with a 20-year warranty: ROOF 1 – RBR, Inc. of Freeport for \$60,177 and West Central Roofing of Willmar for \$77,303.90. This fire station roof replacement project was approved in the 2016 CIP Budget for \$48,500. It is recommended that the additional \$11,677 be taken from the Fire Department’s 2016 Operating Budget for Building Maintenance.

Following discussion, Council Member Fagerlie made a motion to approve the low bid from ROOF 1 – RBR, Inc. of Freeport in the amount of \$60,177 to replace the fire station roof and that \$11,677 be transferred from the 2016 Fire Department Operating Building Maintenance Budget to cover the additional cost over the 2016 CIP Budget for this project. Council Member Mueske seconded the motion which carried.

There being no further business to come before the Committee the meeting was adjourned at 5:40 PM by Chair Anderson.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carol Cunningham".

Carol Cunningham
Accounting Supervisor