

**FINANCE COMMITTEE REPORT
CITY OF WILLMAR
MONDAY, AUGUST 27, 2012**

The Finance Committee of the Willmar City Council met at 4:45 p.m. on Monday, August 27, 2012, in Conference Room No. 1 at the City Office Building. Chair Denis Anderson called the meeting to order.

Members Present:	Denis Anderson	.....	Chair
	Rick Fagerlie	.....	Vice Chair
	Tim Johnson	.....	Member
	Doug Reese	.....	Member
	Charlene Stevens	.....	City Administrator
	Kevin Halliday	.....	City Clerk-Treasurer

Others present included Council Member Ron Christianson; Public Works Director Holly Wilson; Economic Development Commission Executive Director Steve Renquist; and Carol Cunningham, Accounting Supervisor.

Item No. 1 – Public Comment (Information)

Chair Anderson acknowledged that no one was present to address comments to the Committee.

Item No. 2 – Investment Policy/Portfolio (Resolution)

City Clerk Kevin Halliday explained to the Committee that the U.S. Treasury will be phasing out Fannie Mae and Freddie Mac instruments as viable options for local government investment purposes. This will prevent City staff from complying with the 40% diversification rule as stated in the Investment Policy. As the U.S. Government continues to overhaul housing lending systems, diversification options will dwindle. In the City’s current Investment Policy, Section 11.0 Diversification, it states:

“...The City will diversify its investments by security type and institution. No more than 40% of the City’s total deposits will be invested *in a single security type* or with a single financial institution or broker/dealer on the day of purchase...”

It is staff’s recommendation that the 40% limitation by institution or broker/dealer should remain in the policy but that the 40% limitation by single security type should be removed due to the shortage of investment options. It was noted that diversification by security type will still be pursued to the extent possible. Following discussion, it was moved by Council Member Johnson, seconded by Council Member Fagerlie and passed to make the following:

RECOMMENDATION: to introduce a resolution amending the Investment Policy by deleting the following language: “(No more than 40% of the City’s total deposits will be invested) *in a single security type*...”

The Committee also reviewed the Investment Portfolio Year-End Balances over the last 10 years as well as interest and dividends earned each year. This was for information only.

Item No. 3 – EDC Proposed Tax Levy (Motion)

Steve Renquist, EDC Executive Director, reviewed the EDC 2013 Budget with the Committee. Anticipated revenue for 2013 includes the County Tax Levy of \$455,000, which has not changed in four years, plus \$11,603 in other miscellaneous revenue. The EDC is also proposing to utilize \$40,104 from the Agency's reserves as a funding source. The overall budgeted expenditures remain flat for 2013 totaling \$506,707. Mr. Renquist stated that any salary increase for the EDC will be the blended rate of approved City and County salary increases. Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Johnson and passed to make the following:

RECOMMENDATION: to make a motion approving the EDC 2013 Budget and Tax Levy as proposed.

Item No. 4 – Review of Prior Year's Budget and Staffing Reductions (Information)

Staff reviewed actions taken by the City of Willmar since it began experiencing Local Government Aid reductions in 2009. Since 2008, staffing has been reduced by 7.2 FTEs across the organization. In addition, there are currently five vacant positions for which the City is in the process of filling two – Wastewater Treatment Operator and Fire Chief/Fire Marshal.

Since 2009, the City has deferred \$600,000 in capital expenditures. In 2012 the City analyzed its fleet and reduced the number of vehicles and equipment by 15 resulting in a one time savings of \$281,652. The City faces many challenges with its aging infrastructure and is now trying to rebuild a five-year Capital Improvement Program beginning in 2013 with a proposal to transfer \$1.8 million from the General Fund to Capital Reserve to start catching up on our needs. Also in 2013, the City has proposed reductions in overtime for police and public works, some reductions in seasonal employees and some reductions in funding to community groups to offset other increased costs. This matter was for information only.

Item No. 5 – Mayor's Proposed 2013 Budget, Proposed Levy Increase (Resolution)

Staff reviewed with the Committee the tax levy included in the Mayor's proposed 2013 Budget. Under the Mayor's proposal, the property tax levy would increase to \$4,232,734 with the entire levy increase of \$240,000 designated for public works infrastructure. Information was provided on the impact \$240,000 will have on street projects. It was noted that the effect on property owners would equate to an approximate increase of \$25.47 per year on a \$115,000 home.

Following discussion, it was moved by Council Member Fagerlie, seconded by Council Member Johnson, and passed to make the following:

RECOMMENDATION: To introduce a resolution setting the preliminary 2013 City of Willmar Property Tax Levy at \$4,232,734 and scheduling the public hearing on the 2013 Proposed Budget for December 3, 2012.

Item No. 6 – Reports (Information)

The Committee reviewed the July 31st Rice Trust Report. This matter was for information only.

Item No. 7 – Future Agenda Items (Information)

Future agenda items scheduled for September 10, 2012, at the MUC Auditorium include: 1) Council Budget Workshop on Community Groups/Capital Improvement Program discussion; and 2) West Central Industries request for Conduit Financing. Agenda items scheduled for September 24, 2012, include the Fund Balance Policy Discussion.

There being no further business to come before the Committee, the meeting was adjourned at 5:55 p.m. upon motion by Council Member Fagerlie, second by Council Member Johnson, and carried.

Respectfully submitted,

Carol Cunningham
Accounting Supervisor