

FINANCE COMMITTEE

MINUTES

The Finance Committee Meeting of the City of Willmar met at 5:56 p.m. on Thursday, February 18, 2021, via TeleConference.

Present:	Audrey Nelsen	Chair
	Rick Fagerlie	Member
	Julie Asmus	Member
	Andrew Plowman	Member

Others on the teleconference: City Administrator Brian Gramentz, Finance Director Steve Okins, Jenny Boulton of Kennedy & Graven, Doug Green of Baker Tilly, Michael Schramm and Andrew Rolling of Carris Health, Tami Koosman of CentraCare, and West Central Tribune Journalist Shelby Lindrud.

Item No. 1 Call to Order

The meeting was called to order at 5:56 p.m.

Item No. 2 Roll Call

Roll-call was taken with the following members present: Chair Audrey Nelsen, Councilmember Rick Fagerlie, Councilmember Julie Asmus, and Councilmember Andrew Plowman.

Item No. 3 Action Items for the Council

CentraCare/Carris Health Presentation

Lease and Affiliation Agreement Commitments

Carris Health Finance Director Andrew Rolling reviewed the Lease and Affiliation Agreement with the City of Willmar which includes Rent/Debt Obligation payments to the City. Also reviewed was the Intergovernmental Transfer Agreement which is being proposed to be renewed effective January 1, 2021. Hospital Capital Investments made through December 31, 2020, were noted as well as the most recent audited financial statements.

Carris Health has submitted a request to the City to pursue refunding of the 2012A and 2013 Hospital Bonds by issuing Conduit Revenue Bonds which would result in debt service savings. These new Conduit Revenue Bonds would be an obligation of the CentraCare Obligated Group and secured with other CentraCare outstanding debt. The City of Willmar’s debt obligations for the hospital bonds would thereby be removed.

This matter was received for information and to introduce the next action items.

Intergovernmental Agreement Amendment (Resolution)

Finance Director Okins explained that pursuant to the affiliation agreement and related operating lease agreement between the City of Willmar, CentraCare Health System and Carris Health, the real property, upon which Rice Hospital’s facilities and the Care Center’s facilities are located, is exempt from paying real estate taxes. Previously, Rice Hospital and the City have entered into

agreements whereby the hospital would remit to the City annual negotiated intergovernmental transfer payments in consideration for the municipal services provided to Rice Hospital by the City. Both parties desire to continue this annual intergovernmental transfer. The current agreement reflects an annual amount of \$318,270 plus the monthly ECPN amount of \$5,900.00. The ECPN, or Equitable Cost-Sharing for Publicly-Owned Nursing Facilities, is a pass-through process with the amount received from the hospital being paid to the State of Minnesota. The 2021 intergovernmental transfer payment would include an annual amount calculated at \$327,818.10, which is a three percent increase over 2020 as stipulated in the Operating Lease, plus a monthly amount of \$11,033.72 to cover the ECPN charges.

It was moved by Councilmember Fagerlie, seconded by Councilmember Asmus and passed to recommend a Resolution authorizing the Mayor and City Administrator to execute the agreement for Intergovernmental Transfer and ECPN Payments by and between Carris Health, Rice Memorial Hospital, Rice Care Center, and the City of Willmar.

Debt/Bond Conduit Financing Request (Resolution)

As indicated previously, Finance Director Okins reported that the City has received a request from CentraCare to issue Conduit Revenue Bonds to be used to pay off the current City Debt for Rice Memorial Hospital and to amend the current Operating lease sections pertaining to the payment thereof. The City issued its \$40,900,000 General Obligation Hospital Revenue Refunding Bonds Series 2012A for the hospital and its \$9,100,000 Hospital Revenue Notes Series 2013 for Rice Care Center. The proceeds of these two bonds were used to finance improvements to the Rice Facilities.

On December 31, 2017, the City, CentraCare, and Carris Health entered into an Operating Lease Agreement, together with the First Amendment, to strengthen the position of the Hospital as an independent provider of health care in the service area and provide a source of payment for the obligations of the City under the Hospital Bonds.

It was noted that, should this conduit financing for the hospital be authorized and issued, the City's existing debt for the 2012A Bond and the 2013 Revenue Notes would be paid off. Further, a second amendment to the Operating Lease would need to be executed to remove the Base Rent payments to the City that were required to cover the annual debt payments of the Hospital's 2012A Bond and 2013 Notes.

It was moved by Councilmember Plowman, seconded by Councilmember Asmus and passed to recommend a Resolution calling for a Public Hearing on the Issuance of Conduit Revenue Bonds to be held at the April 5, 2021, Council Meeting and authorizing the Publication of a Notice of Hearing.

Item No. 4 Discussion Items for the Council

Filing Fee Information Report

Finance Director Okins explained that, per a request from a council member, information is being presented to the Committee reflecting election filing fees as established by State Statute 205.13. Filing fees of various cities similar in size to Willmar were included in this information, noting Willmar's current filing fee is \$5.00. Per the City's Charter, this amount could be amended.

This item was received for information.

Local Option Sales Tax Report

Finance Director Okins provided a report on the most recent information regarding the sales tax revenues received covering the period October, 2019, through October, 2020. This report was also presented to the Invest In Willmar Group earlier this week. It was noted that the peak revenues occurred in July 2020 which actually includes revenues deferred from previous months. Minnesota Revenue had provided an extension to businesses for a couple of months earlier in 2020 enabling them to pay their collected sales tax later than normal.

Detailed information regarding online sales has been received from the Minnesota Department of Revenue, if council members would like to receive further information. Further, staff is seeking direction from the Council whether or not to pursue submitting a request to the State Legislature to extend the 13-year life of Willmar's local option sales tax program. Receipts have been significantly down from original projections which means we may not be able to complete all of the projects proposed. The City's request could stipulate the extension would only be for a couple of additional years or until the full \$30 million has been received.

It was moved by Councilmember Asmus, seconded by Councilmember Fagerlie and passed on a 3-1 vote to recommend a motion to instruct staff to work with the League of Minnesota Cities, other communities that are pursuing an extension of their local option sales tax programs, and our local legislators during this 2021 legislative session regarding a possible extension for the City of Willmar's program; and report back to the Council.

Community Development Fund Report

Finance Director Okins explained that, moving forward, staff would like to include on the Finance Agendas a discussion of each of the various City Funds, thereby reviewing one fund each meeting. Tonight's meeting will review the Community Development Fund which was originally established in 1975 to account for activities of the Community Development Block Grant Program. Funds received by the City have generally been passed through to the Housing and Redevelopment Authority. In 2010, the City received a grant through the Southwest Minnesota Housing Finance Agency for the Westwind Housing Project. This also included a 30-year note for \$350,000 with payments deferred until maturity on March 23, 2040, at which time the projected balance would be \$376,250 including accumulated interest. This fund balance is restricted until 2040.

December Financial Report

Finance Director Okins reviewed the December, 2020, Financial Report with the Committee, noting a couple of departments may have exceeded their budgets. Overall in the General Fund, there appears to be \$233,000 in excess operating revenues over expenditures as well as \$216,000 in unspent capital projects. This total of approximately \$450,000 will be forwarded to the Mayor to be utilized when preparing the 2022 budget. This total is down from the average excess over the last couple of years of about \$800,000. Staff will be coming back to the committee for action on the budget overages.

It was noted that \$689,000 remains available from the Auditorium capital projects. Staff noted that the City Planner is currently working on an RFP to hire a consultant to provide the City with the architectural and historic values of the auditorium which would enable the City to apply for grants through the Minnesota Historical Society. Combining the City's \$600,000 with these grants could result in substantial dollars.

December Investment Report

Finance Director Okins reviewed the City's investment portfolio as of December 31, 2020, and reported that interest rates remain very low. It was noted that the City holds restricted funds relative to the hospital bonds, which means that our total investments will soon be reduced by approximately \$6 million due to the Carris Health refinancing.

Department Update

Finance Director Okins reported that the department has been working on refinancing of the hospital bonds with Carris Health as well as a new intergovernmental transfer agreement with them. Other projects include the Local Option Sales Tax, Curling Club, EpiTopix, working with the Engineering Department in replatting the Industrial Park for possible excess land sales, and the normal year-end audit work.

Item No. 5 Future Agendas

Future Finance Committee meetings will include discussion on amending the Parks and Recreation 2021 Budget for a new Pen Pal Program and Tobacco-Free Parks signage, amending the Civic Center Budget regarding ice rentals, the Investment Policy, the Fund Balance Policy, Federal Path Local Financing, 2021 Street Improvement Bonds, and an LMC proposed Legislative Update.

There being no further business to come before the Committee, the meeting was adjourned at 7:12 p.m. by Chair Nelsen.

Respectfully submitted,



Carol Cunningham, Accounting Coordinator