

FINANCE COMMITTEE/FULL COUNCIL

MINUTES

The Finance Committee/Full Council Meeting of the City of Willmar met at 5:00 p.m. on Thursday, November 19, 2020, via TeleConference.

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

Others on the teleconference: Mayor Marv Calvin, Councilmember Vicki Davis, Councilmember Fernando Alvarado, Councilmember Shawn Mueske, City Administrator Brian Gramentz, and Finance Director Steve Okins

Item No. 1 Call to Order

The meeting was called to order at 5:00 p.m.

Item No. 2 Roll Call

Roll-call was taken with the following members present: Chair Audrey Nelsen, Councilmember Rick Fagerlie, and Councilmember Julie Asmus. Councilmember Andrew Plowman arrived at 5:15 p.m.

Item No. 3 Mayor’s Proposed 2021 Budget – Fund Balance/Revenues (Proposed Budget Book)

The Committee discussed the types of Fund Balances and amounts as of December 31, 2019. Nonspendable Fund Balances reflect amounts already spent, but that are for the following year. The Restricted Fund Balances are amounts based on constraints imposed externally, such as grants, state statutes, or other governmental regulations. This would include bond/debt service covenants and tax increment agreements. It was requested to see Waste Treatment Fund Balances at a future meeting.

The Committed Fund Balances are governed by internal actions which are formal designations by the City Council. In order to enable use of those balances, formal action would need to be taken by the present Council to change those designations. All Committed Fund Balances except for the Community Investment Fund can be reallocated by a simple majority of the Council. The Community Investment Fund was initially designated via the City Charter and is subject to more stringent requirements. Seven out of eight council members are needed to approve the reallocation of any portion of the Community Investment Fund. Further, in order to allocate any of those dollars for any capital project that has been included in the five-year capital improvement program, an explanation of any additional operating costs resulting from those purchases as well as the source of funding for those additional costs must be provided. Currently, the Community Investment Fund is used to fund the City’s portion of street projects as needed. If the Community Investment Fund was not unavailable for that purpose, the property tax levy would need to be increased to fund those payments. It was noted that the outstanding debt service for the street program at the end of 2019 was \$16.8 million. Generally to date, the City has not needed to levy additional property taxes for payment of street project debt service. Further, the interest earned on the Community Investment

Fund has been adequate to make the debt service payments; however, due to the additional street projects done recently, in 2021 some of the principal of the Community Investment Fund will be needed to pay for the debt service payments. Staff added there are several factors that contribute to the City's bond rating, including the levels of fund balances.

The Working Capital Fund Balance of \$4,000,000 was designated to be available for use for expenses from January through June and then from July through December. There is a funding gap during those six-month intervals because of the semi-annual timeline of receiving the major revenues of Local Government Aid and Property Taxes.

The Subsequent Year Fund Balance is the carryover of net revenues versus expenditures from the previous year that are not committed or restricted. This amount is used to help balance the next year's operating budget. The Self-Insurance Fund Balance is made up of insurance savings through the League of Minnesota Cities Trust which has been built up over the years to help gradually increase our deductibles. The Employees/Retiree Severances Fund Balance is the dollar equivalent of employee sick leave and vacation. There are two Emergency Fund Balances, one for Next Year and one for the Current Year, which are established per the City Charter and allows the City to cover up to 10% of the applicable year's operating budget. In 2019 both were reduced from \$1.3 million to \$1 million. The Industrial Development Fund Balance was established at \$1 million to provide temporary funding for capital projects until permanent funding can be obtained. In the past it has also been used, as approved by the Council, to fund capital projects with payback occurring over three to five years. The Capital Improvements Fund Balance holds \$940,969, part of which could be available if not spent in 2020 on Capital Projects such as the auditorium of \$250,000 from 2019 and \$485,000 in 2020. Other miscellaneous fund balances were also discussed.

The 2021 Proposed Budget Narrative was also reviewed. The proposed tax levy was increased 3% over 2020 which should generate an additional \$308,000. The Local Government Aid was increased 3.2% for an additional \$156,898. However, due to the Covid-19 Pandemic, the State's financial circumstances indicate that in all likelihood the LGA will be reduced in 2021. It is hoped that the State will indicate soon how they will need to proceed with LGA allotments and other budgeting issues. In recent years, we have expended approximately \$250,000 for outside engineering services. Now that we have an assistant engineer in-house, those costs should be reduced. Due to Covid-19, budgeted amounts for building permits were decreased and interest revenue is anticipated to be 22% less than last year. Rental income will be down since Mid-Minnesota Development has moved out of City Hall. Further, Parks & Rec facilities rentals may continue to decline due to Covid-19.

There are potential revenues that were not included in the Mayor's proposed 2021 budget: Franchise Fees of \$250,000 from Centerpoint Energy, a larger than proposed tax levy increase, and sale of excess land.

The next Finance Committee/Full Council Meeting will be held November 30th to discuss capital expenditures and wrap up any final recommendations. The Truth-In-Taxation Hearing is scheduled during the City Council Meeting on December 7, 2020. The final Tax Levy needs to be filed with Kandiyohi County by December 31, 2020.

This matter was taken for information.

Item No. 4 Discussion Items for the Council

Local Option Sales Tax Report

Staff reviewed the status of local option sales tax revenues received from inception through August, 2020. Online sales were discussed regarding possible delays that may be occurring in receiving tax revenues from those sales and that there may be a catch-up potential for past months. Staff will contact officials at the Minnesota Department of Revenue for further information regarding online sales.

October Monthly Report

Staff reviewed the status of capital improvement expenditures as of October 31, 2020, as well as the General Fund Revenues and Expenditures, the Waste Treatment Revenues and Expenditures, and the Investments and Cash Balances.

Covid-19 Report

Staff updated the Committee with the status of the CARES Act Funds, noting that the Council approved an additional payment back to Kandiyohi County of \$180,000 earlier this month. Expenditures have exceeded the CARES Act Funds amount received, with the excess primarily due to additional emergency paid sick leave for employees because of self-quarantining. It is projected that these excess expenditures could be covered by the Sick Leave Reserves in the Non-Departmental Budget. Final numbers should be available for the Committee by the next Finance Meeting. Questions were raised about other possibilities to fund the shortfall including requesting some of the dollars back from the County.

Department Report

Finance Director Okins noted that while he has been out of the office as well as working remotely, there was nothing new to report regarding the Finance Department operations.

Item No. 5 Future Agendas

Future Finance Committee meetings will include discussion on filing fees, Federal Path Local Financing, and possible Carris Health Debt Refinancing.

There being no further business to come before the Committee, the meeting was adjourned at 6:55 p.m. by Chair Nelsen.

Respectfully submitted,



Carol Cunningham, Accounting Coordinator