

**City of Minnetonka Beach
Truth and Taxation Hearing Meeting Minutes
Monday, December 4, 2017**

Present: Mayor Mike Taylor, Council Members: Jill Bartel, Paul Kozloski, Andrew Myers and Treasurer Steve Howarth.

Absent: Council Member Jaci Lindstrom

Staff Present: City Clerk Heidi Honey

1. Call to Order

Mayor Mike Taylor called the Truth and Taxation Hearing to order at 7:00 p.m.

2. Approve Agenda

A motion was made by Council Member Myers and seconded by Council Member Bartel to approve the agenda. With all members voting in favor, the motion carried.

3. Truth in Taxation Hearing

The Truth and Taxation meeting is the annual review of the proposed final budget and the opportunity for the public to provide input and ask questions regarding the proposed budget. Council will also review the proposed budget and continue the meeting to the Dec 11th meeting where the final budget and tax levy will be adopted.

3.1 Comments

Colby Skelton – 2315 Huntington Point Road East

Skelton asked if the current excess above the minimum required reserve is \$254,000. Howarth stated it is not and that the projections show a full year of revenues and not a full year's expenses. He estimated the excess at \$121,000 but also stated that this amount will be broken down to the various funds during the audit process. Skelton asked if the 65% reserve is mandated by the City and if it is a factor in the City's AAA bond rating and if the state has a mandate for reserves. The treasurer will be contacting Ehlers to determine answers to these questions and report back at the December 11 meeting.

Skelton asked why reserves above the 65% are not being used to offset a potential tax increase. Howarth discussed a future bond funded water main project and suggested possibly using a portion of the excess to offset the bond funding for the projects. Kozloski stated the community has been under funded for years and things are not being done to keep pace. He also stated that reducing taxes has a small impact on a resident because the City is the smallest taxing jurisdiction. He is concerned that a large unexpected expense may come up and then the reserves will go below 65%.

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Council discussed moving the leaf truck and city hall maintenance from the 2018 Capital budget to 2017 Capital to use unspent capital funds. The amount needed is approximately \$36,000. General fund reserves can be used to cover it.

Howarth summarized concerns that he will discuss with Ehlers as:

1. Is there a state mandate or other mandate on the 65%?
2. How to maintain a AAA bond rating with a different reserve percentage.
3. If the city does bond funding and is at 65 % but then the city incurs an unexpected large expense, are the reserves available or do they need to be maintained in cash because of the bond funding to maintain the AAA rating?

3.2 Budget Review

The preliminary budget was adopted in September with a 14.3% increase. After review of the preliminary budget by Administrator Griffin, Treasurer Howarth, the Finance Committee and then Council at the November 13, 2017 meeting, the overall proposed tax increase was reduced to 5.6%.

Kozloski asked about the basis for the change to Item 2726, which was reduced from \$50,000 to \$7,500. He expressed concerns about potential infrastructure issues. After meeting with Ben Young, no immediate needs were identified by Bartel and Howarth. Kozloski then discussed catastrophic events and associated costs. Taylor said they need to assess how great the risk is and if reserves would cover the costs without impacting the 65%. Kozloski suggested an equipment inventory process to justify spending reserves when needed.

Howarth then reviewed the cash balances of various utility funds from the 2016 audit report. Council members discussed how these funds can be used. He stated there may be reserve requirements for future bonding.

Council then reviewed the budget and discussed line items.

Line 2359 – Orono On Call - Orono is proposing charging \$65 per day for each day they are on call when Berent is out of town. There is no contract for that yet.

Line 2353 – Gopher State – The City subsidizes this service for residents.

Taylor explained that the employee benefits addendum has two recommended changes. Health and dental insurance premiums for single coverage would be paid 100% by the City instead of 75% and health and dental premiums for part-time employee single coverage would be paid 50% by the City. It costs the city less for single premiums than family premiums. Howarth suggested considering these benefits as part of the compensation package and having a study done to assess their appropriateness with market values. The personnel policy states a pro-rated benefit for part time employees. The single coverage health premium is \$310 per month and dental is \$47.80 per month. Council wondered what percentage other cities pay for family coverage. Council agreed to the proposed changes and Howarth recommended a resolution at the next meeting designating the percentages if it is stipulated in the policy.

Taylor stated the final proposed budget is a 5.6% increase. Howarth said the Finance Committee wanted a 3% increase and suggested doing that by moving \$25,000 out of the excess reserves. This would leave \$100,000 in excess reserves. Council discussed funds taken out of reserves in the past, moving funds from the CIP, and receiving the \$25,000 grant money. The City needs \$36,000 for

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purchasing the truck and city hall staining this year. Howarth will confirm with the accountant if funds can be moved between the capital and general funds for this shortfall. Taylor summarized Council's conversation by stating that they can either take the \$25,000 out of capital or reserves. There are enough excess reserves to cover it.

3.3 Proposed Final Budget

A motion was made by Council Member Myers to use \$25,000 from the excess budget balance of 2017 to reduce the tax increase for 2018 from \$1,011,565.47 to \$986,565.47, which is a 3 % tax increase.

Additional discussion took place. Kozloski asked the benefit of making this reduction. Howarth stated that the tax funds are being given back to citizens by taking from reserves to pay for these items instead of increasing taxes. Council discussed if reducing the tax levy or reducing bonding benefits taxpayers more. Taylor asked Howarth to ask Ehlers the lifetime benefit of buying down \$100,000 on a \$2,000,000 bond. Kozloski suggested waiting for information from Ehlers before making a decision on the final budget recommendation. Council will make the final recommendation on December 11.

There was no second to Council Member Myers motion. The motion failed.

4. Motion to Continue the Hearing to December 11, 2017.

A motion was made by Council Member Bartel and seconded by Council Member Kozloski to continue the Truth in Taxation Hearing to December 11, 2017. With all members voting in favor, the motion carried.

Mayor Taylor closed the hearing at 8:49 pm.

PUBLIC IN ATTENDANCE – The following individuals signed the sign-in sheet: Nell Mathews, Patty Rezabek and Colby Skelton.

Respectfully Submitted,

Heidi Honey, City Clerk