

**City of Minnetonka Beach
Truth and Taxation Hearing Meeting Minutes
Monday, December 5, 2016**

Present: Mayor Rick Skalla, Council Members: Jill Bartel, Paul Kozloski, Jaci Lindstrom, Mike Taylor and Treasurer Randy Gilster.

Staff Present: City Administrator, Susanne Griffin; City Clerk Heidi Honey, Zoning Administrator Ben Gozola

1. Call to Order

Mayor Rick Skalla called the Truth and Taxation Hearing to order at 7:14 p.m.

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.

2. Approve Agenda

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

3. Truth in Taxation Hearing

3.1 Comments

No one from the public was in attendance to provide comments.

3.2 Budget Review

Administrator Griffin stated the Preliminary Budget was adopted in September with a 9.2% increase. This hearing gives residents the opportunity to give input on the proposed budget. The final budget will be adopted at the December 12 meeting. The City's budget is broken down into the general fund, capital project fund, debt service fund, and sewer, water and stormwater funds. The final budget is based on a balanced general fund. After review of the preliminary budget by Administrator Griffin, Mayor Skalla, Council Member Bartel and Treasurer Gilster, the overall tax increase was reduced to 1.4%.

Council Member Bartel said she did not think the capital program and unfunded liability should be taken from reserves. Mayor Skalla said the city has been building reserves to put toward expenditures when needed for capital projects. The city's policy is to maintain at least 65% of the operating budget in general reserves. Currently, the city is at 85% with an excess of \$150,000 over the 65% required. Mayor Skalla went on to say they calculated the amount needed for Ben Young's unused vacation, sick and comp time at about \$54,000 which will be payable at retirement. The city has planned to levy for \$25,000 of this obligation and the other \$29,000 will come out of general reserves.

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Administrator Griffin explained that the city uses water funds to pay the debt service and each year the percentage of water fund use increases yet water fees only increase 3%. The city should monitor this to make sure the water rates cover the debt service. The city should review this policy and rates with the next bond issue.

Council reviewed the proposed final budget. Administrator Griffin highlighted the changes to the preliminary budget as follows:

- A slight increase in building permit fees from \$35,000 to \$40,000
- CIP - \$25,000 of CIP will be funded by CIP reserve funds reducing the levy paid portion from \$65,000 to \$40,000
- Health care premiums will be lower than 2016
- Public Works new employee overlap reduced from \$40,000 to \$15,000
- Sealcoating – Remaining funds from Small Cities Assistance account allowed a reduction from \$10,000 to \$5,000
- City Insurance – Reduction of \$1,000

Council discussed the amount in the capital project reserve fund which was drawn down this year to \$41,000 but \$50,000 will be levied in the budget in 2017. Mayor Skalla discussed the 65% general fund reserve policy which would allow the city to keep the taxes low. Council Member Kozloski was concerned with using reserves. He suggested tax increases should be level instead of having large fluctuations. Last year's increase was a little over 5%. Council discussed the funds remaining for CIP items that were not completed this year. They also discussed concerns over the use of reserve funds with Council Member Bartel stating that the consensus of a majority of council members are not comfortable with a taking funds out of reserves. Treasurer Gilster stated the recommendation they received from the city's auditing firm Abdo, Eick & Meyers is sound advice (that reserves should be in the 65% range). Council discussed different philosophies of having more reserves or minimal tax increases. Council Member Taylor recommended reducing the use of capital reserves from \$25,000 to \$15,000 by adding \$15,000 to the tax levy for the CIP and adding \$10,000 for Ben's replacement. This would result in an additional \$25,000 added to the tax levy, increasing the overall property tax by 4.1%. Council Member Kozloski said he supports 9% if it is accurate for the city's needs. Treasurer Gilster reminded Council that every year they start out high and then ultimately the budget gets reduced.

3.3 Proposed Final Budget

A motion was made by Council Member Taylor and seconded by Council Member Bartel to increase the levy by \$25,000 with \$15,000 going to the CIP and \$10,000 for the public works employee replacement. Council members voting in favor: Bartel, Lindstrom, Taylor. Council member opposed: Kozloski. Motion passed.

4. Motion to Continue the Hearing to December 12, 2016.

A motion was made by Council Member Bartel and seconded by Council Member Taylor to continue the hearing to December 12, 2016. With all members voting in favor, the motion carried.

Mayor Skalla closed the hearing at 7:50 pm.

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Respectfully Submitted,
Heidi Honey, City Clerk