

## **SEPTEMBER 8, 2016 FINANCE COMMITTEE MEETING MINUTES**

4 p.m. Council Chamber. Members present: M. Hraban, R. Moore, M. Platteter. Others present: A. Christianson, K. Gorseger, A. Lobermeier, D. Parker, T. Verdegan.

### **Call to Order:**

Chair R. Moore called the meeting to order.

### **Minutes:**

Motion was made by M. Hraban, seconded by Platteter and carried by voice vote to approve minutes of the August 22, Committee meeting.

### **2017 Budget:**

Comptroller Verdegan reported that Security Health has quoted a 7.6% increase in the City's health insurance premiums for 2017, which she has included in a revised draft budget she then handed out. This is considered a favorable quote considering the City's experience this year isn't as good as it was last. The City has a relatively healthy work group so has benefitted from not being merged into a larger group with worse experience.

Although the draft budget is out of balance, it contains some larger new items including, but not limited to, the following:

- New fire tanker at \$200,000.
- Security upgrades at City Hall at \$50,000.
- Industrial area general operations at \$5,000.
- Street construction fund at \$400,000.

Borrowing for the above would allow the draft 2017 budget to be nearly balanced. As all but the industrial operations increase are capital expenditures with long life expectancies it is reasonable to pay for them over a period of time, via borrowing.

### **Potential Borrowing:**

Those present reviewed a listing of items, including those above, that could be part of a possible bond issue. These included street projects, building improvements, and larger equipment.

### Fund Balance

At the end of 2016 the general fund (100) balance was \$1,262,640, or 34.9% of the annual budget. The city's auditors recommend that this number be at least 25% of the annual budget, which would be about \$904,470. Arguably, up to \$358,170 could be reapplied to meet selected needs. Keeping it at about 30%, the upper end of the auditor's recommendation, would suggest keeping the balance at about \$1,085,364, leaving \$177,276 to be applied to meet needs.

### Borrowing Capacity

The City's legal borrowing capacity is 5% of its equalized valuation, or \$7,911,000. Of this amount \$4,348,000 is in use leaving current available borrowing capacity of \$3,562,579. Nobody is interested in using all of this. It may make sense, however, to supplant current debt payments with justifiable new ones at the time the current ones are paid off. This should result in a more steady state with payments remaining about what they have been. While this certainly won't allow borrowing to meet all needs it is a place to start.

Committee members agreed they will consider items on the possible borrowing list with the intention of discussing at the next meeting priorities for inclusion in any new borrowing. While initial thoughts were to put together a package of street reconstruction projects, it has become apparent that some LFD equipment is getting to an age where it may become difficult to keep certified and that a few pieces of public works equipment probably should have been replaced already. Other than some of the smaller public works pieces, these items are too costly to work them into annual budgets.

**Next Meeting:**

The next meeting will be held Wednesday, September 14<sup>th</sup> at 4 p.m.