

**Finance Commission
Meeting Minutes
August 24, 2022**

Roll Call/Announcements

The Finance Commission (FC) meeting was called to order at 6:30 p.m. Chair Davies requested staff call the roll.

Commissioners Present: Sifa Barclay, Bruce Bester, Wanda Davies, John Murray, and Sadiq Dahir.

Commissioners Absent: Sandra Klein-Hegge and Dan Sagisser.

Staff Present: Finance Director Michelle Pietrick and City Manager Patrick Trudgeon.

Receive Public Comments

There being no one present wishing to speak to the Commission on an item not on the agenda, the Chair moved to the next agenda item.

Approval of Meeting Minutes

Commissioner Bester moved, seconded by Commissioner Barclay, to approve the July 12, 2022 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Bester reviewed the Finance Commission tracking report items.

Receive and Discuss the 2023 City Manager Recommended Budget and Tax Levy

City Manager Patrick Trudgeon reviewed the 2023 City Manager recommended budget and tax levy that was presented to the City Council.

Chair Davies indicated the union contract is not based on the CPI and wondered where the three percent increase was coming from.

Mr. Trudgeon explained he wanted to be careful that they did not automatically go with the CPI because it is just a reference point the Council likes to use. Usually, the union contract looks at comparable cities and often times there is one main union covering all of the municipalities. He

noted there is a greater understanding of what others are paying and what they ask for and that is part of negotiation at that point. He explained that all of the City's unions are under contract through 2023 with a couple going through 2024 and every few years, union contracts are negotiated. He continued with his presentation of the 2023 City Manager recommended budget and tax levy.

Chair Davies indicated she had a question about the Digital Media Specialist going from three quarters to full time with some of the \$42,000 total from the fund and some from the tax levy. She asked if that person was making roughly \$130,000 right now and will increase it by a third to make it \$142,000.

Mr. Trudgeon explained that was not correct. Right now, that position is funded in the 2022 budget for thirty hours a week at \$25 an hour and with a limited term employee when it was added. Now, the City is looking at this as a permanent position, in a sense that it will be a full-time employee with benefits. Levy dollars were already put in last year, \$50,000 to pay for this so if salary and benefits are factored in, it will get closer to \$92,000. He stated the salary will be somewhere in the upper \$60,000 to \$70,000. Mr. Trudgeon continued with his presentation on investment in maintaining City programs and workforce.

Commissioner Murray asked what kind of background does a Sustainability Expert have to have.

Mr. Trudgeon explained someone who has an environmental studies degree, most likely or some background in engineering.

Commissioner Murray asked who would this person report to if they found something that was not done right.

Mr. Trudgeon explained the person would be reporting to the Public Works Department, Engineering Department specifically, and would help with the recycling and storm water projects as well as some other initiatives such as solar gardens for the community, and information sharing for people that are interested in environmental and sustainable things. He noted the City is looking at doing organic recycling down the road, all those types of initiatives. This person would do a wide variety of things and report to the Public Works Director, him, and eventually the City Council. He stated there would be a carefully thought-out work plan for this position, noting that a lot of this is already being done through the internship and grants the City has received over the years.

Mr. Trudgeon reviewed the strategic use of reserves and grant funding with the Commission and summarized the upcoming next steps.

Chair Davies indicated there were a number of pages with funds where the ending fund balance did not show up as the beginning fund balance for the next year.

Ms. Pietrick indicated she will take a look at that.

Commissioner Murray asked if inflationary costs go up will the amount be taken out of the Cash Reserve fund.

Mr. Trudgeon indicated the City would for fuel, specifically.

Commissioner Murray asked if money would be taken out for other things as well.

Mr. Trudgeon explained that typically that is what drives the levy increase.

Commissioner Murray explained this is not going to be a normal year and there will be a lot of inflationary costs and he wondered how the City is going to cover them.

Mr. Trudgeon explained staff is using a combination of levy increases as well as using grant dollars and the use of reserves where they can to help soften that blow for this year, knowing that grants run out.

Chair Davies indicated the City cannot do a levy increase for this year.

Ms. Pietrick indicated that was correct.

Mr. Trudgeon explained for this year the levy is set. Staff will have to reconcile that budget at the end of the year and if over budget, a budget amendment can be made that uses reserves.

Commissioner Murray wondered how big the City's reserves were now.

Mr. Trudgeon explained the General Fund sits at around \$8 to \$9 million dollars.

Chair Davies noted that the General Fund is up \$2.5 million since 2019.

Ms. Pietrick explained that was intentional because prior to 2019, the City used reserves to cover operations and the General Fund itself was below the 35 percent minimum.

Chair Davies asked if staff felt that 2022 was going to end up in a deficit relative to the budget.

Ms. Pietrick stated she hoped not. She explained there was a lot of turnover in various departments, more than she has encountered in her experience elsewhere. But, it takes time to fill those jobs so there are some savings on the personnel side. It is not occurring in every department but the City is seeing people leave for other opportunities elsewhere. Also, the supply chain is interesting. She noted the City ordered the 2021 City plow trucks that were delivered ten months after they were ordered and staff is actually in the process of getting Council approval to order the 2023 vehicles that are in the CIP plan, hoping they arrive in 2023. Staff builds a budget with the best estimates possible but the City does not pay for the product until it arrives and that can cause some fluctuations. The City also has budgeted for full employment.

Commissioner Bester indicated the golf course financial summary also has some problems.

Ms. Pietrick indicated she will look at all of the spreadsheets for inconsistencies and issues.

Chair Davies asked staff to review how it plans on getting the water and sewer funds out of the red.

Ms. Pietrick indicated the sewer fund is not in the red. She reviewed the steps the City will be taking to help the water fund. She noted another thing she will be recommending is that the City does not base this on one quarter's usage. Averages should be used. Also, there could be fluctuations from one quarter to the next that the City cannot control.

Commissioner Bester presented his budget observations and suggestions to staff and the other Commissioners. The observation is that our audited financial statements show a gain of 17.9% in 2021, which seems higher than necessary to stay healthy. Does this present an opportunity to carefully look at the levy for 2023?

Mr. Trudgeon asked if Commissioner Bester was taking all of the funds and calculating out what that net gain is because there are numerous funds that are restricted. He explained the Community Development Fund can only be used for building permit costs, as well as some of the other funds like the Utility fund. Grants may offset the use of levy dollars but need to be for a specific use so he asked if Commissioner Bester's comments factored out all of the restricted fund accounts.

Commissioner Bester explained the restricted funds were not factored out.

Mr. Trudgeon explained those numbers cannot be used for levy reductions, which is his point. He noted that maybe Commissioner Bester's suggestion about mapping the funds may leave a much smaller number, which can actually be utilized for levy reduction and, because they are restricted, they cannot do it because it is State Law. He indicated those are things they have to be aware of and maybe there needs to be further discussion on this.

Ms. Pietrick indicated within the financial statement there are funds that get rolled up, which the City does not budget for. She explained she could task staff with mapping the 2021 budget and identifying those funds the City does not budget.

Chair Davies indicated this item will be reviewed more in the coming months.

Staff Update

None.

Identify Discussion Items for the Future Meetings

Chair Davies stated the next agenda would include discussions on the Capital Improvement Plan and budget recommendations.

Adjourn

Commissioner Murray made a motion, seconded by Commissioner Dahir to adjourn. The motion passed unanimously.

Meeting adjourned at 8:20 p.m.