

## CITY COUNCIL WORKSHOP MINUTES

### CITY COUNCIL WORKSHOP: FY12 Fiscal Forecast Workshop General Fund Five Year View, Vehicle Replacement Reserve and Follow Up from the 2/7/11 workshop

**Date:** February 22, 2011

**Place:** Municipal Center – Council Chambers

**Councilmen Present:** Councilman Doug Krause (via phone), Councilman Judy Brodhead, Councilman Richard Furstenau, Councilman Paul Hinterlong, Councilman Kenn Miller, Councilman Grant Wehrli, Mayor A. George Pradel, Councilman Robert Fieseler, Councilman Boyajian

**Councilmen Absent:** None

**Staff Present:** Doug Krieger, (City Manager), Karen DeAngelis (Director of Finance), Marcie Schatz (Director of Transportation & Engineering Department), Chief Puknaitis (Fire Chief), Jim Holzapfel (Director of Water/Wastewater), Mark Curran (Director of Electric Utilities), Dave Van Vooren (Director of Public Works) Pam LaFeber (City Clerk)

Call to order by Mayor Pradel at 5:00 PM. Finance items began at 7:08.

Both Financial topics on the agenda were requested by Council and relate to long term strategic planning considerations. The Vehicle Replacement Reserve option discussion is being deferred until the FY13 budget cycle.

#### **General Fund Five Year Projection**

The revenue and expense assumptions used in the projection were review. Revenue is expected to decline as one time sources used in FY12 are not expected to re-occur. Additionally other property tax components are known to be increasing, which will result in a reduction of the general fund component unless the overall property tax rate and dollar levy is increased. Inflation and growth in revenue has been factored in, but is expected to be fully offset by expenditure increases due to inflation and growth. A small amount of growth was assumed FY15 (.5%), FY16 (1%).

Wage expenditures were increased at 2% per year for the projections. Healthcare costs are expected increase by 6% per year, but be offset by increased employee contributions of 20% in FY13 and 25% by FY14. Pension contributions are assumed flat in FY13 reflecting the recent reform changes, but then increase by the historic rate of 10% per year after that. The vehicle replacement reserve has been held constant in the projection, with annual funding of any replacements scheduled in each year. And the roadway improvement program funding has been held constant with transfers reflecting the anticipated external funding available.

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Under these assumptions, the Financial Gap is projected to be up to \$13.7 million in FY13; \$16.8 in FY14; \$19.3 in FY15 and \$25.9 in FY16 (this assumes that the gap from FY13 is not resolved and rolls forward).

DeAngelis pointed out that this is a conservative view of what the gap may be, the future is uncertain, but budget balancing challenges will continue.

Council requested a reading of the actual cost savings from the plan design changes for healthcare implemented compared to the savings reflected in the budget. Staff agreed to provide a summary of the savings after the end of the fiscal year.

Krieger suggested staff will in the future provide along with the projection a sensitivity of the top five revenue sources and how changing the projected revenue increases would increase or reduce the projected financial gap.

**Debt Policy and Debt Threshold**

Objective – Consider establishing debt threshold measures within the Debt management policy (a maximum borrowing level).

Staff reviewed with Council possible approaches: establish ratio measures aligned with the rating agency analysis, set dollar maximum, and consider debt service % of household income ratio.

For the set dollar maximum, Council suggested consideration be given to reducing each threshold presented by \$25 million. This will further instill discipline to cut projects when necessary to decrease borrowing and live within means.

Consensus given to review all measures and ratios discussed at the annual CIP workshop and each time Council is requested to approve further city borrowing. Council will only use the measures as guidelines for decision making, but may at some time in the future consider inclusion in the policy.

Council consensus for Utility funds rate structure to self fund annual capital without borrowing.

**Next Steps**

Next budget workshop is March 7.

Motion to adjourn at 7:57 PM

Minutes taken by Amy Ramer  
Ex 6054