

UNAPPROVED

CITY OF BLAINE
ANOKA COUNTY, MINNESOTA
CITY COUNCIL WORKSHOP
Thursday, December 3, 2015

7:00 P.M.
Council Chambers
10801 Town Square Drive

CALL TO ORDER

The meeting was called to order by Mayor Ryan at 7:00 p.m.

ROLL CALL

PRESENT: Mayor Tom Ryan, Councilmembers Mike Bourke, Dave Clark; Russ Herbst, Jason King, and Dick Swanson.

ABSENT: Councilmember Wes Hovland.

Quorum Present.

ALSO PRESENT: City Manager Clark Arneson; City Attorney Patrick Sweeney; Planning and Community Development Director Bryan Schafer; Public Services Manager Bob Therres; Finance Director Joe Huss; Financial Analyst Ward Brown; Police Chief/Safety Services Manager Chris Olson; Communications Technician Roark Haver; Senior Engineering Technician Al Thorp; City Clerk Catherine Sorensen; and Recording Secretary Linda Dahlquist.

NEW BUSINESS

3.1 15-61, 2016 General Fund Budget Update.

Finance Director Huss stated direction from the Council was to reduce the tax levy to equal the tax rate of 2015 which would cut revenue by \$300,000 and would require a reserve draw for the 2016 general fund budget resulting in an unbalanced budget. He noted that long term a structurally imbalanced budget is problematic for future years. He gave an overview of the general fund five-year projection which included assumptions of 3.5% and 5% annual growth rates. He stated concerns with a structurally imbalanced budget include the EDA operations not being fully supported; the PMP relies on unrestricted reserves; market value corrections; legislative acts; and fiscal disparities assumptions. He commented the 3.5% model shows a deficit and the 5% model would bring the budget into balance.

Councilmember Clark asked where the reserve draw funds come from. Finance Director Huss replied the general fund has a reserve for cash flow and contingency.

Councilmember Swanson clarified the model shows there will be no additions to the unrestricted reserve.

Councilmember Bourke stated the funds that are there today will be there tomorrow. Finance Director Huss replied the model assumes there are no increases in staff or in the level of service.

Councilmember King asked about market value correction concerns. Finance Director Huss replied yes he does not know where they will end up. He stated the City is in a good position with development coming onto the tax rolls in 2016-2018.

Councilmember King asked if a structurally imbalance budget will affect the City's bond rating. Finance Director Huss replied cash reserves are a gold standard with bond companies. He stated bond companies rate the City on its ability to repay its debt. He noted the past three years had budgeted reserve draws that were not used.

Councilmember Bourke stated the \$300,000 is available in unrestricted reserves. Finance Director Huss replied it is not a recommended practice to adopt an imbalanced budget.

Councilmember Bourke stated the City would be fine for 2016. Finance Director Huss replied the City would be \$300,000 behind going into 2017.

Councilmember Bourke commented the \$300,000 is over the operating necessities. He noted that 2016 budget is not a concern, but the 2017 budget is a concern.

Councilmember Herbst commented in the past the City had a large carry over from previous years. He noted the projected carry over for 2015 will bring down the deficit. Finance Director Huss replied the 2015 unrestricted funds are projected to be \$1.1 million and would be used to cover the \$300,000 deficit, the Pavement Management Program and Capital Equipment purchases.

Councilmember Clark commented that the carry over funds are from budgeted items that were not spent.

Councilmember Swanson clarified the budget the Council is to adopt for 2016 may create problems for future years.

Mayor Ryan commented he is concerned that market values will continue to drop.

Councilmember Clark commented the City underspent \$1.1 million which the City collected in taxes.

Councilmember Bourke commented there are a lot of assumptions and staff can balance the budget within \$1.1 million. He asked about the dollar amounts in the money manager funds. Finance Director Huss replied between \$65,000,000 and \$70,000,000.

OTHER BUSINESS

None.

The Workshop adjourned at 7:30 p.m.

Tom Ryan, Mayor

ATTEST:

Catherine Sorensen, City Clerk

Submitted by TimeSaver Off Site Secretarial, Inc.