

**CITY OF SAINT PETER, MINNESOTA
AGENDA AND NOTICE OF MEETING**

Regular Workshop Session of Monday, October 1, 2018
Community Center, St. Peter Room – 5:30 p.m.
600 South Fifth Street

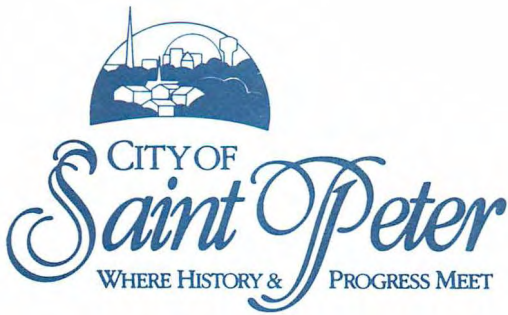
- I. **CALL TO ORDER**

- II. **DISCUSSION**
 - A. Warming House Attendants Wage Scale
 - B. 2019 General Fund Budget
 - C. Hospital Purchasing Authority Modification
 - D. BHS Bond Issuance

- III. **ADJOURNMENT**

Office of the City Administrator
Todd Prafke

TP/bal



Memorandum

TO: Todd Prafke
City Administrator

DATE: 9/27/18

FROM: Joey Schugel
Recreation and Leisure Services Director

RE: Warming House Attendant Wage Scale

ACTION/RECOMMENDATION

None needed. For Council discussion and review only.

BACKGROUND

The Recreation and Leisure Services Department manages the Veteran's Park warming house during the outdoor skating season. Warming House Rink Attendants are staffed to allow skaters access to the warming house during posted hours. In addition to staffing the warming house, Attendants enforce outdoor skating and park rules, open and close the warming house, control lights, record daily attendance, report and respond to injuries, incidents or property damage; ensure a safe skating environment for all users; provide for light shoveling of the rinks, and provide customer service to users.

Unlike other part-time seasonal positions that have adopted wage scales, one doesn't exist for this position and I recommend establishing a scale. This would provide staff with appropriate direction for wages when the position is advertised and will ensure the wages are compatible and in line with other similar positions within the City organization. The proposed wage scale is:

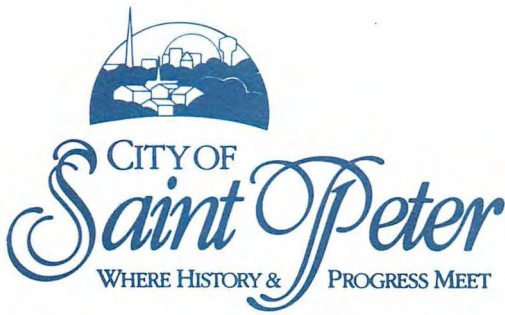
Warming House Rink Attendant (seasonal)

| # of years | Hourly Wage |
|-------------------|--------------------|
| 1 | \$10.00 |
| 2 | \$10.25 |
| 3 | \$10.50 |
| 4+ | \$10.75 |

These wages are similar to the level that we pay for positions such as Building Supervisor and summer seasonal recreation staff.

Please feel free to contact me should you have any questions or concerns on this agenda item.

JS/



Memorandum

TO: Honorable Mayor Ziemann
Members of the City Council

DATE: 09/26/2018

FROM: Todd Prafke
City Administrator

Sally Vogel
Finance Director

RE: 2019 Preliminary Levy

ACTION/RECOMMENDATION

None needed. For City Council review and discussion only.

BACKGROUND

At the workshop on September 10, 2018, the City Council asked to review some items in the 2019 proposed General Fund Budget, which are:

- Equipment purchases using cash/equipment certificates or removing items until future years.
- Emerald Ash Borer tree replacement program being funded by Environmental Services Budget.
- Pavilion funding from Schmidt Foundation of \$100,000 with City using \$100,000 from reserves.

The following adjustments have been made to the 2019 Equipment Certificate (EQC) requests:

- Removed \$60,000 planned for the ten percent (10%) match on a new chassis for the snorkel truck. If the grant is approved in 2019, the Fire Equipment fund, which currently has a balance of \$86,000. This shows as a reduction to your levy need by reducing the EQC amount.
- SCBA tanks for the Fire Department will be funded \$35,000 by the Equipment Certificate and \$195,000 by reserves, for a total cost of \$230,000. We intend to reapply for grant funds for this. Under the current plan if you do not get the grant, you will have cash to fund the purchase via reserves. As an alternative you could reduce your levy even a bit more by putting this on the equipment certificate and using those reserves to buy down the levy. By doing that and maintaining your current process and timeline for issuance, you reduce your cash needs and therefore your levy. If you receive the grant, no worries, you use the grant funds. If you don't, then in September of 2019 you issue the equipment certificate debt. That \$194,000 will cost you a bit more, but allows you to reduce your current levy by a significant amount, if that is your goal. This alternative is not calculated in the current plan.
- Swap of pick up truck and squad car as suggested by the Council which slightly increases the EQC amount but reduces Levy by about \$16,000 for the 2019 year.

- The Wheel Loader purchase has been reduced to show the net price of \$115,000. This is our estimated purchase price less the trade value we expect. This reduces the equipment certificate amount and has an impact of a few thousand dollars on the 2019 levy and future levies.

If these plan changes are approved, the fund balance will be 47.9%, and the tax rate will decrease from 50.71 to 50.33. If the rate is reduced to 50.33, the estimated tax impact on a \$150,000 home will be \$4.04 per year vs. \$8.84 if the tax rate was at 50.71. That would be a reduction of \$4.80 per year from your proposed levy. The Levy increase will go down to 10.62%.

The \$100,000 needed to match the Schmidt Foundation donation of \$100,000 for the pavilion project is not included in the 2019 budget. If the City uses reserves as the Schmidt Foundation is requesting, the fund balance will reduce to 46.6% as of 2019 year end.

The General Fund provides \$50,000 for sidewalks in the 2019 budget.

Emerald Ash Borer (EAB) costs could be included in the Environmental Services budget as members suggested at your workshop. As you may recall, Environmental Services is projected to have a \$6,500 operating loss for 2018. This is actually a bit better than we anticipated. If an additional \$50,000 is added for EAB in 2019, a rate increase of \$1.60 per month will be added to the current rate of \$8.62 for a total of \$10.22 per month. This increase would generate \$57,100 in additional revenues (2,973 customers X \$1.60 X 12 months) and result in a balanced budget for Environmental Services. This is not meant to be a discussion on the Environmental Services Budget or rates, but rather to give you a good idea of the impact as you make decisions related to an effort/project that was proposed to have some funding in the General Fund.

All of this does potentially lead to a number of other policy questions/discussions like:

- Does it make sense to reduce levy in an environment where your tax base is growing? Reduction now likely means a larger future increase in levy not just from the debt, but from an inflationary need perspective which can lead to bigger ups and downs.
- What number are you trying to target?
 - o Is it levy dollars or is it percentage of levy increase?
 - o Is it tax rate?
- What does the future look like based on decisions that you make today where you currently have a growing tax base?
 - o Is it better to buy things now when you have bigger tax base or wait? What happens if your tax base doesn't grow or contracts and now you have to buy this big thing?
- What overall level of risk are you willing to take?
 - o How does that impact your comfort with reserves, future levy, ability to raise other funds, credit rating, service level changes, and others?

Not to get further down the rabbit hole here, but because your reliance on LGA is so high and your levy relative to expenditures is 39%, small changes in your overall expenditures and no real change in LGA means an increase of \$309,000 looks like a big percentage. Contrast that with your level of spending that is up 4%. Remember that 4% increase in spending is being spread over a larger tax base as well. Your tax based growth is estimated at just over 7% this is both new value and increased values. Another way to look at this might be that a \$150,000 house will see a City tax increase under the current plan of about \$4.04, that is an increase in their City tax bill of just over one half of one percent (0.063%).

We have included in your packet updated General Fund Summaries, Tax Theory sheet and Truth in Taxation sheet and the modified EQC list and costs. We will be able to manipulate these spreadsheets at the workshop to show you various "what ifs". We also included the memo from your Council meeting as a point of reference on the entire General Fund budget.

Please feel free to contact us if you have any additional questions or concerns.

TP/SV/bal

**General Fund
Revenue Summary**

| | 2015 Actual | 2016 Actual | 2017 Budget | 2017 Actual | 2018 Budget | 2018 Projected | 2019 Proposed Budget | change over prior Budget | |
|--|------------------|------------------|------------------|------------------|------------------|-------------------|----------------------------|--------------------------------|---------|
| Property Taxes | 1,345,824 | 1,446,809 | 1,444,614 | 1,527,279 | 1,698,127 | 1,817,930 | 1,892,625 | 194,498 | 11.45% |
| Other Taxes | 89,114 | 93,654 | 88,800 | 95,313 | 54,250 | 54,200 | 54,250 | 0 | 0.00% |
| Licenses & Permits | 244,556 | 423,761 | 467,140 | 283,358 | 762,675 | 724,457 | 147,245 | (615,430) | -80.69% |
| State Grants and Aids | 3,088,096 | 3,176,714 | 3,096,786 | 3,124,234 | 3,180,067 | 3,113,629 | 3,189,525 | 9,458 | 0.30% |
| Administrative Fees | 116,540 | 197,579 | 104,210 | 115,343 | 371,330 | 423,665 | 57,330 | (314,000) | -84.56% |
| Police & Fire | 141,386 | 145,828 | 137,200 | 156,507 | 143,200 | 157,080 | 171,280 | 28,080 | 19.61% |
| Streets /Refuse Sales | 18,840 | 18,533 | 14,800 | 45,287 | 14,800 | 15,790 | 14,800 | 0 | 0.00% |
| Recreation | 190,393 | 180,566 | 211,500 | 188,678 | 191,000 | 183,971 | 174,000 | (17,000) | -8.90% |
| Fines & Penalties | 56,279 | 49,021 | 52,500 | 46,623 | 52,500 | 43,215 | 53,000 | 500 | 0.95% |
| Interest & Misc Income | 154,372 | 181,448 | 51,202 | 192,497 | 100,221 | 112,022 | 83,222 | (16,999) | -16.96% |
| Reserves | | | | | | | 195,000 | 195,000 | #DIV/0! |
| Transfer from other Funds | 10,053 | 32,433 | 25,000 | 87,869 | 10,600 | 10,000 | 10,600 | 0 | 0.00% |
| Utility Fund Transfers | 1,299,239 | 1,471,173 | 1,447,000 | 1,495,019 | 1,505,000 | 1,505,000 | 1,505,000 | 0 | 0.00% |
| Total Revenues | 6,754,692 | 7,417,519 | 7,140,752 | 7,358,007 | 8,083,770 | 8,160,959 | 7,547,877 | (535,893) | |
| % increase (decrease) over prior budget: | 3.60% | 13.77% | 4.44% | 7.62% | 19.68% | 10.91% | -6.63% | | |
| | | | | | | 14.29% | | | |

**General Fund
Expenditure Summary**

| | 2015 Actual | 2016 Actual | 2017 Budget | 2017 Actual | 2018 Budget | 2018 Projected | 2019 Proposed Budget | change over prior Budget | 2018 | 2019 |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|----------------------------|--------------------------------|-----------------|------------------|
| Mayor and Council | 43,258 | 54,263 | 58,672 | 53,140 | 58,609 | 57,353 | 61,202 | 2,593 | -2.25% | 1,104,857 |
| City Administrator | 196,934 | 201,779 | 203,022 | 209,347 | 174,003 | 176,352 | 177,588 | 3,585 | -13.14% | |
| City Clerk | 62,750 | 66,031 | 71,774 | 70,279 | 74,536 | 69,131 | 76,064 | 1,528 | -3.68% | |
| Elections | 26,590 | 23,381 | 30,986 | 13,931 | 32,649 | 32,649 | 26,299 | (6,350) | 5.37% | |
| Finance Department | 238,418 | 252,014 | 296,455 | 286,460 | 316,341 | 311,223 | 323,597 | 7,256 | 4.98% | |
| Legal Services | 130,880 | 145,421 | 141,000 | 155,750 | 147,000 | 147,000 | 147,000 | 0 | 4.26% | |
| Municipal Building | 166,248 | 100,811 | 158,473 | 115,771 | 127,435 | 130,453 | 134,270 | 6,835 | -17.68% | |
| Police Department | 2,056,752 | 2,143,532 | 2,308,264 | 2,286,972 | 2,422,716 | 2,410,597 | 2,489,614 | 66,898 | 4.43% | 3,185,967 |
| Fire Department | 332,053 | 437,545 | 392,780 | 432,463 | 425,261 | 401,417 | 408,100 | (17,161) | 2.20% | 3,244,755 |
| Building Inspections | 204,507 | 215,422 | 212,355 | 227,692 | 231,094 | 218,436 | 236,118 | 5,024 | 2.86% | |
| Emergency Management | 1,039 | 1,401 | 7,137 | 981 | 8,137 | 7,137 | 8,137 | 0 | 0.00% | |
| Community Service | 80,215 | 84,061 | 93,360 | 88,821 | 98,759 | 94,550 | 102,786 | 4,027 | 1.27% | |
| Public Works Administration | 85,594 | 93,494 | 89,301 | 114,190 | 119,637 | 117,277 | 157,755 | 38,118 | 31.33% | 2,521,951 |
| Streets | 1,100,222 | 1,200,117 | 1,218,342 | 1,204,900 | 1,298,233 | 1,296,165 | 1,354,857 | 56,624 | 6.39% | 2,651,793 |
| Street Lighting | 104,225 | 105,509 | 120,260 | 104,817 | 115,000 | 115,000 | 115,000 | 0 | -4.37% | |
| Senior Coordinator | 31,108 | 37,106 | 35,371 | 33,408 | 40,587 | 36,225 | 39,215 | (1,372) | 2.41% | |
| Recreation and Leisure Services | 391,101 | 394,309 | 423,119 | 367,937 | 384,763 | 382,666 | 393,221 | 8,458 | -9.56% | 626,495 |
| Swimming Pool | 157,331 | 181,405 | 196,956 | 200,224 | 183,957 | 198,085 | 196,307 | 12,350 | 0.57% | |
| Skating Rinks | 16,446 | 16,185 | 17,056 | 18,122 | 17,188 | 17,036 | 0 | (17,188) | -0.12% | |
| Parks | 668,953 | 723,276 | 1,003,890 | 873,402 | 989,081 | 939,688 | 1,024,181 | 35,100 | -6.40% | |
| Community Development | 158,229 | 161,331 | 172,502 | 179,555 | 174,284 | 164,688 | 185,050 | 10,766 | -4.53% | |
| Unallocated - Insurance | 8,733 | 21 | 0 | 12,853 | 12,000 | 12,853 | 12,000 | 0 | #DIV/0! | |
| Unallocated - Memberships | 28,892 | 29,229 | 30,000 | 30,506 | 30,000 | 30,506 | 31,000 | 1,000 | 1.69% | |
| Unallocated - Miscellaneous | 0 | 0 | 2,500 | 0 | 0 | 0 | 0 | -100.00% | 42,000 | 43,000 |
| Total Expenditures | 6,290,478 | 6,667,643 | 7,283,575 | 7,081,521 | 7,481,270 | 7,366,487 | 7,699,361 | 218,091 | | 7,481,270 |
| Other Transfers Out (In) | 452,500 | 402,600 | 83,900 | 208,575 | 621,500 | 619,000 | 197,500 | (424,000) | 637.78% | |
| NET OPERATIONS: | 11,714 | 347,276 | (226,723) | 67,911 | (19,000) | 175,472 | (348,984) | (329,984) | -177.39% | |
| % increase (decrease) over prior year: | -1.92% | 6.00% | 13.56% | 6.21% | 5.64% | 4.02% | 2.92% | | | |
| % increase (decrease) over prior year budget: | | | | | | 1.14% | 8.72% | | | |

| | | | | | | | | | |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------|
| Beginning Fund Balance | 3,473,655 | 3,485,369 | 3,832,645 | 3,832,645 | 3,900,557 | 3,900,557 | 4,076,029 | 175,472 | 1.77% |
| Restricted | 7,500 | 15,000 | 22,500 | 22,500 | 30,000 | 30,000 | 37,500 | | |
| Ending Fund Balance | 3,477,869 | 3,811,645 | 3,583,422 | 3,878,055 | 3,851,557 | 4,046,029 | 3,689,545 | (162,012) | 12.91% |
| Percent of next year budget | 52.2% | 52.4% | 48.6% | 52.6% | 50.0% | | | | |
| Percent of same year budget | | | | | | 54.9% | 47.9% | | |

CITY OF SAINT PETER
TAX THEORY
TAX LEVY: CERTIFY IN 2018, COLLECTIBLE IN 2019

Levy Limit Years

| | Certified: Payable: | Levy Limit Years | | | | | | | | | | | Budget | Budget | PROJECTED | PROJECTED |
|---|------------------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2006 2007 | 2007 2008 | 2008 2009 | 2009 2010 | 2010 2011 | 2011 2012 | 2012 2013 | 2013 2014 | 2014 2015 | 2015 2016 | 2016 2017 | 2017 2018 | 2018 2019 | 2019 2020 | 2020 2021 |
| General Fund | | 1,026,213 | 1,106,484 | 818,307 | 835,682 | 832,925 | 1,275,614 | 1,275,614 | 1,305,614 | 1,308,614 | 1,416,614 | 1,494,614 | 1,698,127 | 1,892,625 | 2,042,625 | 2,192,625 |
| \$ increase (decrease) in General Fund | | 82,225 | 132,285 | (270,655) | 297,281 | 0 | 90,490 | 0 | 30,000 | 3,000 | 108,000 | 78,000 | 203,513 | 194,498 | 150,000 | 150,000 |
| % increase (decrease) in General Fund | | 8.71% | 12.89% | (23.36%) | 33.48% | 0.00% | 7.64% | 0.00% | 2.35% | 0.23% | 8.25% | 5.51% | 13.62% | 11.45% | 7.93% | 7.34% |
| Public Library | | 151,900 | 285,980 | 310,133 | 310,133 | 310,133 | 250,133 | 220,133 | 220,133 | 220,133 | 220,133 | 220,133 | 270,133 | 283,640 | 297,822 | 312,713 |
| Community Center | | | | | | | | | | | 0 | 0 | 0 | 0 | 180,000 | 180,000 |
| Park Enhancement fund | | | | | | | | | | | 0 | 0 | 0 | 0 | 106,903 | 106,903 |
| N Firefighter's Relief | | 0 | 3,724 | 3,865 | 16,690 | 24,600 | 10,000 | 10,000 | 10,000 | 8,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special Levies: | | | | | | | | | | | | | | | | |
| A Bonded Indebtedness | | | | | | | | | | | | | | | | |
| 09 Public Project Revenue Bond(SPCC) | | 383,390 | 372,640 | 375,945 | 301,715 | 298,112 | 294,277 | 294,277 | 284,053 | 284,055 | 283,593 | 284,025 | 286,275 | 286,500 | 0 | 0 |
| 2018 MN Square Pavilion Bldg 20yr | | | | | | | | | | | | | 0 | 95,403 | 99,203 | |
| B Certificates of Indebtedness | | | | | | | | | | | | | | | | |
| Expired Equipment Certificates | | 76,110 | 68,500 | 67,900 | 132,480 | 165,842 | 117,092 | 63,977 | 62,049 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| '10 Equipment Certificate | | 0 | 0 | 0 | | | 34,300 | 33,400 | 32,500 | 31,132 | 0 | 0 | 0 | 0 | 0 | 0 |
| '11 Equipment Certificate | | 0 | 0 | 0 | 0 | | 21,995 | 21,425 | 20,850 | 20,235 | 19,590 | 0 | 0 | 0 | 0 | 0 |
| '12 Equipment Certificate | | | | | | | 14,600 | 48,900 | 53,000 | 47,500 | 47,500 | 47,500 | 0 | 0 | 0 | 0 |
| '13 Equipment Certificate - Fire Truck | | 0 | 0 | 0 | | | | 87,780 | 79,133 | 105,206 | 101,148 | 100,435 | 99,390 | 98,345 | 96,920 | 0 |
| '14 Equipment Certificate | | | | | | | | | 40,678 | 67,979 | 67,980 | 67,980 | 67,980 | | | |
| '15 Equipment Certificate | | | | | | | | | | 57,500 | 50,250 | 50,250 | 50,250 | 49,980 | | |
| '16 Equipment Certificate | | | | | | | | | | | 57,500 | 81,400 | 81,400 | 81,400 | 81,400 | |
| '17 Equipment Certificate | | | | | | | | | | | | 80,000 | 65,000 | 65,000 | 65,000 | 65,000 |
| '18 Equipment Certificate | | | | | | | | | | 0 | | | 66,100 | 61,000 | 61,000 | 61,000 |
| '19 Equipment Certificate | | | | | | | | | | | | | | 103,100 | 103,100 | 103,100 |
| '20 Equipment Certificate | | | | | | | | | | | | | | | 68,000 | 68,000 |
| '21 Equipment Certificate | | | | | | | | | | | | | | | | 68,000 |
| '22 Equipment Certificate | | | | | | | | | | | | | | | | |
| C Bonds of another local unit of Gov't | | | | | | | | | | | | | | | | |
| J Pera Employer rate inc. after 6/30/01 | | 0 | 52,014 | 69,536 | 79,895 | 82,652 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unallotment -- | | 0 | 0 | 0 | 269,547 | 269,547 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocation for Sidewalk Improvements | | | | | | | | | | | | 50,000 | 0 | 50,000 | 50,000 | 0 |
| Abatement for ISJ Clinic | | | | | | 23,000 | 23,000 | 23,000 | 23,000 | 20,000 | 20,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 |
| Special Levies: | | 0 | 0 | 69,536 | 349,442 | 873,353 | 505,264 | 572,759 | 595,263 | 633,607 | 647,561 | 778,590 | 733,395 | 812,325 | 637,824 | 481,304 |
| Levy applicable to levy limits: | | na | na | 1,698,350 | 1,670,900 | 1,167,658 | na | na | 1,535,747 | na | na | 1,714,747 | 1,968,260 | 2,176,265 | 2,627,350 | 2,792,241 |
| TOTAL GROSS LEVY: | | 1,886,773 | 2,020,342 | 1,767,886 | 2,020,342 | 2,041,011 | 2,041,011 | 2,078,506 | 2,131,010 | 2,170,354 | 2,284,308 | 2,493,337 | 2,701,655 | 2,988,590 | 3,265,174 | 3,273,545 |
| % increase(decrease) over prior levy | | 11.42% | 7.08% | (12.50%) | 14.28% | 1.02% | 0.00% | 1.84% | 2.53% | 1.85% | 5.25% | 9.15% | 8.35% | 10.62% | 9.25% | 0.26% |
| Tax Rate: City | | 42.59 | 43.72 | 37.93 | 43.39 | 43.52 | 49.00 | 50.67 | 51.13 | 46.79 | 47.27 | 49.08 | 50.01 | 50.33 | 53.38 | 51.96 |
| Tax Rate: Total | | | | | | | | | | | | | | | | |
| Taxable Market Value | | 462,351,650 | 488,326,600 | 492,632,100 | 492,259,900 | 484,053,400 | 430,696,300 | 424,206,500 | 428,488,400 | 459,425,700 | 474,894,400 | 500,144,400 | 529,133,100 | 569,719,300 | | |
| Exempt Market Value | | 231,922,800 | 231,922,800 | 231,922,800 | 231,922,800 | 277,106,400 | 277,106,400 | 277,106,400 | 277,106,400 | 277,106,400 | 277,106,400 | 327,529,200 | 327,529,200 | 327,529,200 | | |
| Net Tax Capacity | | 4,429,958 | 4,621,600 | 4,661,030 | 4,656,626 | 4,689,589 | 4,165,734 | 4,102,084 | 4,167,947 | 4,638,662 | 4,832,749 | 5,080,145 | 5,402,326 | 5,938,491 | 6,116,646 | 6,300,145 |
| City | | 42.556 | 43.719 | 37.988 | 43.373 | 43.53 | 49.004 | 50.673 | 51.13 | 46.79 | 47.278 | 49.093 | 50.01 | 50.33 | | |
| County | | 48.440 | 49.558 | 51.058 | 51.498 | 52.77 | 53.67 | 52.001 | 51.24 | 49.357 | 52.64 | 52.59 | 55.14 | 56.79 | | |
| School | | 15.596 | 14.881 | 14.870 | 13.761 | 15.553 | 16.716 | 16.752 | 17.175 | 17.003 | 36.628 | 38.247 | 28.86 | 29.73 | | |
| Region 9 | | 0.373 | 0.199 | 0.191 | 0.185 | 0.187 | 0.19 | 0.188 | 0.172 | 0.153 | 0.165 | 0.165 | 0.18 | 0.19 | | |
| Multi-County | | 0.211 | 0.363 | 0.355 | 0.350 | 0.357 | 0.367 | 0.352 | 0.322 | 0.301 | 0.315 | 0.309 | 0.31 | 0.32 | | |
| Total extension rate | | 107.176 | 108.720 | 104.462 | 109.167 | 112.397 | 119.947 | 119.966 | 120.039 | 113.604 | 137.026 | 140.404 | 134.499 | 137.350 | | |

7

| 2019 Equipment Certificate 9/10/2018 | | | |
|--------------------------------------|-----------|--|---|
| Dept # | Dept Name | Equipment Description | Cost |
| 42100 | Police | Squad Car | 31,000 |
| 42200 | Fire | 10% match new chassis on snorkel truck | 60,000 |
| 42200 | Fire | SCBA Replacements | 35,000 |
| | | | \$230,000 of which \$195,000 funded with reserves |
| 43100 | Streets | Wheel Loader | 155,000 |
| 43100 | Streets | Street Sweeper | 200,000 |
| 45124 | Pool | Heater for Pit | 20,000 |
| 45124 | Pool | Wading Pool Feature | 15,000 |
| 45200 | Parks | Bobcat Tool Cat and Attachements | 41,000 |
| Total 2019 Equipment Cert | | | <u>557,000</u> |

| 2019 Equipment Certificate 10/1/2018 | | | |
|--------------------------------------|-----------|--|---|
| Dept # | Dept Name | Equipment Description | Cost |
| 42100 | Police | Squad Car | 31,000 |
| 42200 | Fire | 10% match new chassis on snorkel truck | 60,000 |
| | | | Will use \$86,000 Fire Equipment Fund |
| 42200 | Fire | SCBA Replacements | 35,000 |
| | | | \$230,000 of which \$195,000 funded with reserves |
| 43100 | Streets | Wheel Loader | 115,000 |
| | | | Reduced by \$40k for trade-in value of old loader |
| 43100 | Streets | Street Sweeper | 200,000 |
| 45124 | Pool | Heater for Pit | 20,000 |
| 45124 | Pool | Wading Pool Feature | 15,000 |
| 45200 | Parks | Bobcat Tool Cat and Attachements | 41,000 |
| Total 2019 Equipment Cert | | | <u>457,000</u> |

Debt Payment Calculation

Project Cost: 557,000.00
 Interest Rate: 0.0415
 Term (years): 5
 Annual Payment: \$125,645.00

Debt Payment Calculation

Project Cost: 457,000.00
 Interest Rate: 0.0415
 Term (years): 5
 Annual Payment: \$103,087.55

8

City Tax Comparison (not total tax bill)
10.0% increase in tax capacity

| | | | | | |
|-------------------|-----------|-----------|-------------|-----------------------|---------|
| 2019 tax capacity | 5,938,491 | 2019 levy | \$2,988,843 | City extension rate = | 0.5033 |
| 2018 tax capacity | 5,399,208 | 2018 levy | \$2,700,144 | City extension rate = | 0.50010 |
| 2017 tax capacity | 5,080,145 | 2017 levy | \$2,493,337 | City extension rate = | 0.49080 |

| If, your taxable Market Value is | 2019 tax | 2018 final tax | Annual change if MV stays the same | If, your taxable Market value increased 10% | 2019 tax | Annual Change from 2018 |
|--|----------|----------------|------------------------------------|---|----------|-------------------------|
|--|----------|----------------|------------------------------------|---|----------|-------------------------|

Homestead value with MV exclusion =

| | | | |
|------------|----------|----------|-------|
| \$ 60,000 | 181.19 | 180.04 | 1.15 |
| \$ 76,000 | 229.50 | 228.05 | 1.46 |
| \$ 100,000 | 361.17 | 358.87 | 2.30 |
| \$ 150,000 | 635.47 | 631.43 | 4.04 |
| \$ 250,000 | 1,184.06 | 1,176.54 | 7.53 |
| \$ 413,800 | 2,082.67 | 2,069.42 | 13.24 |

| | | |
|---------|----------|--------|
| 65,940 | 199.13 | 19.09 |
| 83,524 | 252.23 | 24.18 |
| 109,900 | 415.48 | 56.61 |
| 164,850 | 716.93 | 85.51 |
| 274,750 | 1,319.84 | 143.31 |
| 454,766 | 2,307.40 | 237.98 |

4+ rental housing =

| | | | |
|------------|----------|----------|-------|
| \$ 110,000 | 692.04 | 687.64 | 4.40 |
| \$ 150,000 | 943.69 | 937.69 | 6.00 |
| \$ 200,000 | 1,258.25 | 1,250.25 | 8.00 |
| \$ 250,000 | 1,572.81 | 1,562.81 | 10.00 |

| | | |
|---------|----------|--------|
| 120,890 | 760.55 | 72.91 |
| 164,850 | 1,037.11 | 99.43 |
| 219,800 | 1,382.82 | 132.57 |
| 274,750 | 1,728.52 | 165.71 |

Commercial/Industrial =

| | | | |
|--------------|----------|----------|-------|
| \$ 150,000 | 1,132.43 | 1,125.23 | 7.20 |
| \$ 175,000 | 1,384.08 | 1,375.28 | 8.80 |
| \$ 200,000 | 1,635.73 | 1,625.33 | 10.40 |
| \$ 250,000 | 2,139.03 | 2,125.43 | 13.60 |
| \$ 1,000,000 | 9,688.53 | 9,626.93 | 61.60 |

| | | |
|-----------|-----------|----------|
| 164,850 | 1,281.91 | 156.68 |
| 192,325 | 1,558.47 | 183.19 |
| 219,800 | 1,835.03 | 209.71 |
| 274,750 | 2,388.16 | 262.73 |
| 1,099,000 | 10,685.06 | 1,058.13 |

What this means is, if a homeowner's property valuation hasn't changed from 2018, their City share of the tax bill on a \$150,000 home would increase approximately \$8.84 from the 2018 tax year.

Goals for this discussion are:

- Provide an update on the 2018 projections and budget modifications.
- Provide information on the 2019 budget progress.
- Provide information that allows you to work towards a reasoned decision relative to the levy.
- This budget and levy, the means by which you provide for the policies you have in place, is a substantial opportunity for you to provide input in making this the Council budget and not the Staff budget.

This discussion will include a summary explanation of the budgets that we hope will enhance your understanding of the big picture of the budget. We hope to not get into the minutia of the budget exemplified by how many stamps we use or the number of handcuff keys we purchase, but rather to focus on the way this budget supports your wants and policies.

We continue to look at the General Fund and Special Revenue Fund budgets as a portion of a larger business and believe we are very cognizant of the impact that modification in any of these areas has on other portions of the City business. The 2019 budget is based on the ideas expressed below.

The changes within the budget, as compared to 2018, are highlighted below:

- Municipal Building maintenance in 2019 is proposed to include \$5,000 for front door repair and carpet, and \$25,000 in repair and maintenance items to improve the building.
- Public Works Building maintenance in 2019 is proposed to include roof repair of \$27,000 and furnace (1 of 3) in the amount of \$4,700, a heavy duty Mechanic's scanning tool - \$7,500, tire balancer - \$4,300, and tire changer for \$5,300. The tire balancer and tire changer will also be used on MRVT buses and will have a revenue stream to offset some of the costs. Use of the equipment will also lower the maintenance cost for MRVT.
- The sidewalk replacement plan that has been discussed with the City Council was not included in the 2018 plan. The change in plan is related to the additional expenditure of approximately \$48,000 that was approved in late July of 2017. It is our current plan to pick it up again for 2019 in the amount of \$50,000. We have decided to change the possible use of the \$50,000 going forward to be used for either sidewalks or tree replacement with the threat of Emerald Ash Borer (EAB). We will continue to pursue Safe Routes to School funds to help us with the program although those funds would not be available for the next year or two.
- Street maintenance for 2019 is planned for an additional funding of \$56,624 over your 2018 budget. Most of that is a new truck. Your ongoing street program provides maintenance on one of your biggest assets/investments that is very expensive to replace. This number represents our best guess of inflationary impacts and a small increase in scope. This does not include any additional work on North Third Street.
- Working with Damon Farber Consulting to address park planning, signage and branding is budgeted to complete the second year of their recommendations of \$10,000 in 2019. We anticipate much of this work to be in combination with the Minnesota Square Park Pavilion Project.

- The Fire Department budget includes \$7,500 which will contribute a fourth year to a replacement fund for equipment items that have certification expiration needs. In addition we have \$60,000 budgeted using debt for matching funds for a new snorkel truck should grant funds be approved. We also look to purchase \$194,000 in SCBA equipment. This takes a new approach on this purchase as we believe our current approach has been less than cost effective. Instead of buying some SCBA equipment every year and then have the challenge related to matching equipment and technology changes, our goal is to buy it all at once, make the 10 to 12 year life cycle and then do it again. In this way all the equipment matches appropriately and meets specs as compared to buying a few pieces here and a few there.
- The 2019 budget includes an allocation of \$2,500 for The Creative Play Place. This is funding that used to go to The Third Floor. As you know we are concerned about a loss of leadership in the Creative Play Place, and we believe that additional framework support from the City may help this important program stay in operation.
- The insurance fund doesn't have any contributions for the 2019 year. The projected 2018 ending fund balance is \$216,000. You may recall our target here is \$300,000, but it will deplete without further funding. This area deserves a bit more discussion. Due to changes in rates over the last five plus years we are no longer realizing savings that we planned to place in this fund.
- The 2019 revenue budget decreased by \$615,430 in Permits and \$314,000 in Administrative Fees due to the building permits and inspection revenues for large projects in the community, River's Edge expansion, Gustavus Nobel Hall, the new Best Western Hotel and St. Peter Regional Treatment building. We viewed this revenue as "one time" money that was available for one time projects which should not be used to support year in year out operations so the impact on operations is minimal.
- The 2018 and 2019 expenditures reflect no use of reserves to cover the expense of Community Spirit Park. This deficit is still projected to be covered by the sale of the wastewater ponds and utility funds. A deficit of \$460,000 is still anticipated after the ponds are sold and the Utility funds chip in.
- We have also provided funds to match School funding for an additional School Resource Officer that could start in the new 2019/2020 school year.
- Local Government Aid (LGA) increased \$4,458 in 2019.
- Health insurance renewal is projected to have a 10.0% increase.

For 2019, we will use the same philosophy we have over the past years. We do not look at the total levy and then make cuts or additions. We look at the divisional budgets line by line and think about needs and priorities you have set, make changes, and then look at how that would influence the total.

The philosophy in the past was to bring you budgets based on the programs and service standards we have had in place without puffing it up needlessly, simply to be cut later in October or November to show how great a job we can do budget cutting. That is to say, we bring a budget that will provide for the operation you have told us you want. Reserves are used for emergencies or efforts that are unknown to us at this time or as planned for keeping your reserve policy in mind. In some past years we have used reserves for a deal that is too good to pass up or to pay an unexpected costs. We do not believe that additional information about costs projected in a month or two will substantially impact our thoughts on needs and/or priorities so we don't plan to come back to you multiple times between now and December and modify the budget. It may be important to note that once the legislative session starts in 2019 there is always the potential for a change in the ground rules.

We also believe the results from past budgets speak for themselves and that our budgeting philosophy has shown very positive results both from a financial and a service perspective. The positive results are measured by the deviation from budget at the end of each year. That deviation has been very, very small. Further, the Council does not see a flurry of purchases at the end of each year based on the theory of, "if we don't spend it we won't get it next year." We just don't do that.

Lastly, based on State funding changes over the past eleven years, local property taxes are more heavily depended upon to make your operations go. The LGA increase of \$4.5K doesn't cover the annual cost of business in your General Fund.

Our Financial Position Today - The City, as reported by our auditors, is in very good financial shape. The General Fund ended the 2017 year with revenues over expenditures by \$347,276 and reserves increasing to \$3,817,645. The projected change to fund balance in 2018 shows an anticipated decrease of \$601,091. The decrease is due to building permit revenue due to construction projects in 2018 that was planned to be transferred for one time projects.

Working Plan Thus far - The 2019 budget is not balanced. Expenses will be greater than revenue by about \$154,000. This is not a good or bad thing, it is just the plan and we are happy that our understanding of these issues has evolved over the last number of years. Based on your Fund Balance Policy for the General Fund, which says the reserve should be "35% to 50% of the following years budgeted expenditures", we believe this is acceptable. Options of what to do with the 2019 decrease in fund balance is discussed later in the memo.

In the proposed budget we will have a projected fund balance of \$3,884,545 at the end of budget year 2019. Based on our current projections, the reserve percentage for the end of 2018 will be approximately 54.9% and end in 2019 at 50.5%. This doesn't include the restricted balance shown for Fire equipment \$37,500.

It is important to note that modest wage changes, increases in insurance and normal adjustments to fuel and other consumable items in your budget means that each year, assuming no other changes take place, you will see an increase in cost somewhere between \$150,000 and \$230,000 in a \$7.7 million budget. If the State chooses to provide no additional revenue (LGA) and you choose no increase in revenue (Levy) or decrease in programs or services in any given year, you will have to make up that amount in future years. Our belief is that steady, moderate change over a number of years is better than large increases or decreases from year to year.

General Fund expenditures are planned for an increase of \$218,091 over the 2018 budget driven by personnel costs, park improvements, City Hall and Public Works building maintenance, and some capital. Alternatives to this increase are discussed later in the memo. Major changes have been made in the past due to the LGA reductions and trying to maintain reasonableness in our tax levy.

Some of the tools used to provide the 2019 budget year include:

- Enterprise Fund transfers have been estimated based on projected sales for the 2018 year. Transfers will remain at 6.5% of sales for the Electric, Water, Wastewater, and Stormwater budgets. Please know that the transfers are based on percentage of gross revenue, so even though they are likely to change, we believe this assumption is appropriate as a starting point.

- Wage modifications for all union and non-union are 3%. We anticipate a few selected areas where market adjustments and Pay Equity compliance changes will be recommended.
- We will continue to make operational changes that we hope will reduce overtime and may mean changes when and how some activities are undertaken. We budgeted hours of overtime at the levels we have seen in the past.
- Fire Relief Association levy remains at \$0 for the 2019 year. No additional funds are needed at this time.
- We continue to self-fund a higher deductible for Property/Casualty Insurance coverage across all funds. We do not plan to transfer any funds to the insurance pool as the budget premium no longer offers a saving from the initial creation of this fund. After the claim deductibles are closed, the 2018 fund balance will be approximately \$216,000.
- 2019 Local Government Aid is planned to receive \$4,458 over the 2018 allocation. This is a total of \$3,044,145. 2020 may have a similar certification of LGA to Saint Peter.
- \$60,000 local match for a fire truck grant is suggested to be attached to the Equipment Certificate, however you could take that money from your special revenue fund designated to fire equipment. Currently there is a fund balance of \$86,000 in that fund. Therefore, no levy for this is planned. That is a choice the Council can make at a later date as it has minimal impact on any Levy.
- Equipment Certificate for \$557,000
 - \$31,000 net cost of a new squad car
 - \$60,000 10% match new chassis on snorkel truck
 - \$35,000 SCBA Equipment
 - \$155,000 Wheel Loader
 - \$200,000 Street Sweeper
 - \$20,000 replace heater at outdoor pool for the "Pit".
 - \$15,000 Wading Pool Feature (i.e. a slide or water-fall).
 - \$41,000 Bobcat Tool Cat and Attachments.

Below are items that we discussed earlier and some items we just think you should have an opportunity to understand and discuss.

- There is no funding in the budget for the Pavilion and we continue to work to solicit other people's money (OPM). Cost estimates are complete and cost will be \$1.6M. We have received Legacy funds of \$200,000 and the current working plan is to issue debt to cover the difference between grant and costs in the 2019 year. The first debt service occurs in 2020. We will continue to look for other people's money (OPM).
- There will not be an increase in recreation fees for 2019. We believe the increase in 2018 brings us closer to our 40/60 cost split goal between fees/levy support.
- The budget includes Coalition of Greater Minnesota Cities membership (\$19,600).
- You have also discussed other long-term projects for the future that are not funded as a part of this budget. Minnesota Square Pavilion, Fire Hall (we have included some professional service money for this as directed by Council), City Hall, other parks enhancements, field house and Township Road 361, are probably the most notable.
- The Electric Fund will likely not see a rate increase in January 2019; however the environmental budget will need an increase in rates. We are intending to use projected 2018 fund balance above your Fund Balance Policy range towards expenses in the 2019 year.

Special Revenue Funds:

The Library fund has been allocated the same tax levy for the previous five years. The 2019 Library budget includes an increase in taxes by approximately \$13,500 to fund the library operations. With taxes collected at \$283,640, the fund balance is projected at only 2.2% and is continuing the same programming as in 2018. The State requires a minimum maintenance of effort, which means they regulate the minimum that is required to be contributed to library systems by cities and counties. The amount for 2019 is \$235,561.

Operations of the Community Center have not been funded by tax levy, but its remaining debt is being covered 100% by tax levy through 2019. The "Conduit Agreement" that was in place to fund Community Center operations ended on May 2017. The decline in revenue reflects a significant change in funding.

Miscellaneous things to consider -

- As always, our goal is to construct a budget that meets your goals and priorities. We have provided additional information so that the Council might be able to determine if this budget does that.
- There are many, many requests that go unfilled; a large number of those are removed at the Department or the Administrative level. We continue to under-fund depreciation on assets and road maintenance. That is not only the case in Saint Peter, but in just about every community in the state.
- Our dependence on Local Government Aid remains significant.
- This budget delays some capital equipment wishes that in past years we may have funded. Some of these reductions are made because our needs have changed and others because we continue to work to be good stewards of the resources. Some are done with the hope that we can limp to another year based on cost of money or serviceability. Others are done because we believe strongly in the idea of budget responding to our customers and the services you wish to see provided.
- We will be prioritizing things like weed control and repairs throughout our various facilities and our efforts will be focused on areas with customer needs as the driving force behind the prioritization.
- You can change how you look at resource balance between tax driven and Enterprise Funds. In the past we have maintained a very specific percentage of gross revenues of Enterprise Fund transfers to the General Fund. This budget anticipates no change in that balance. The Council could change that area if you wished. We will have the ability to discuss the general impact of changes in that balance if you wish. A slight twist to that may be the additional use of Enterprise Funds in a more targeted way. We can discuss this now, but it may be more valuable during your Enterprise funds discussion.
- We have also assembled a list of some of the "outside the box" ideas that may assist us in our budget balancing. All of these need more discussion prior to any implementation because most represent a policy change and, frankly, a large shift in what our operations model has been in the past. Some of those are:
 - Additional modifications to fees. (Yearly adjustments are always reviewed.)
 - Payment in lieu of taxes from other entities that are not taxed now. (This is an effort that may take a number of years to execute.)
 - Modification to assessment policies that puts more burden on individual taxpayers rather than the General Fund. The last changes you made put additional cost on the

General Fund by transferring alley skirting from being assessable to being paid by the City.

- When to take or use savings from the Insurance Fund. That's the \$216,000.
 - Additional Enterprise Funds contributing to the General Fund.
 - Targeted utility increases.
 - Franchise fees (as exemplified by a natural gas fee).
 - Sales Tax targeted towards specific capital improvements as you are discussing with the Fire Hall.
 - Use of other funds to transfer in revenues.
 - Any others you may have or we may come up with.
- It is important to understand that our reserves are within our fund balance policy, but there are still areas of volatility that could substantially influence the final 2018 or a 2019 outcome. Those items that are our highest concerns include:
 - State aids; LGA in particular. A bigger picture discussion and plan may be needed in this area. That discussion could focus on alternative sources of revenue and what should or could be done to limit our dependence on LGA.
 - Natural or manmade events. A great example might be a relatively small natural disaster or a major crime against persons. These have the potential to tip the budget off plan with overtime and other costs. Our plan continues to contemplate that reserve funds will have to meet those needs should a disaster occur. We will continue to worry about people first and money second.
 - Supply costs and, in particular, fuel. This is just a very difficult area to project as are all energy costs. Energy and fuel affects all aspects of our operations.

Attached are some summary sheets for budgets supported by the property tax levy. These funds are reviewed and discussed by the City Council during the course of our budget process.

FISCAL IMPACT

The preliminary tax capacities for the payable 2019 year have been projected at an 11.4% increase. We will have the actual numbers from the County for the final levy in December.

We have proposed operational budgets for the General Fund of \$7,699,361; Special Revenue Funds of \$1,906,949; Debt Service Funds of \$1,879,048; Capital Funds of \$805,000; and Agency Funds of \$622,520. All purchases and projects must be approved by the City Council if they exceed the amounts in the purchase policy.

Generally speaking, an increase in your levy of \$10,000 means an increase in your tax rate of .20. A decrease in your levy of \$10,000 means a decrease in your tax rate of .20.

VARIATIONS - There are so many variations that we could review and frankly, we would not know where to start. Here are a few that may help you think in different ways.

- Lower the gross levy to meet any Tax Rate or other goals you may wish to put in place. This provides opportunity to say we are reducing the levy. There may be value to that symbolism, but that value is a Council decision.

- Additional cuts. This would mean changes in service levels compared to the 2018 year. That is something we can review, but again our mission here has been to tell you the cost to provide services as you have directed.
- Put more capital purchases on the equipment certificate, which would lower this year's levy but increase future year levies. There is \$243,000 capital equipment remaining, which includes some miscellaneous things and Fire SCBA, in the General Fund budget rather than issuance of Equipment Certificate. There are some interesting things we could do here, but all certainly fall within the realm of Council's sense of what is best.
- Add new or reinstate previously cut services into the budget with additional levy or with the use of reserves. Again, this is a call for the Council to make. One caution here... we are unsure of the value of providing services on a year-by-year basis. By that, we mean it seems strange to provide a service in 2018 and then in 2019 we discontinue it and then in 2020 we provide that service again. It is confusing to our citizens. Again, we are not sure that helps the quality of life for the members of our community. It is also costly in both money (start and stop costs) and morale to be on again/off again. Those too are real costs.
- Restrict or assign reserves within the fund balance policy to a building/equipment fund or further lower existing debt with higher interest rates. You did this with the Community Center in 2013 and could do it again or plan for a future project.
- The General Fund Summary indicates a fund balance decrease of \$161,484 and reserves of 50.5% at the end of 2019
- There are many, many more.

Further discussion will be held to discuss the following before the final levy is set on December 10, 2018:

- Equipment purchases using cash/equipment certificates or removing items until future years.
- Emerald Ash Borer tree replacement program being funded by Environmental Services Budget
- Pavilion funding from Schmidt Foundation of \$100,000 with City using \$100,000 from reserves.

The attached resolution adopts the preliminary levy and identifies the regularly scheduled Council meeting at which the budget and levy will be discussed and the final levy determined.

In summary, we are proposing a budget and suggesting a Levy that will increase your projected tax rate from 50.01 to 50.71 based on a gross levy increase of \$309,475 or 11.4%. The 2019 budget is not balanced. Expenditures are higher than revenues. Based on the proposed budget we will have a projected fund balance of \$3,884,545 at the end of budget year 2019. Our current projections show the reserve percentage for the end of 2018 will likely be 54.9%, and end 2019 at 50.5%. Again, what this means is if a homeowner's property valuation hasn't changed from 2018, their City share of the tax bill on a \$150,000 home would increase approximately \$8.84 from 2017 tax year.

ALTERNATIVES/VARIATIONS:

Do not act: State law requires the preliminary levy to be provided to the County by the end of September. Failure to act at your Monday meeting would necessitate a special meeting prior to the end of the month to comply with State law.

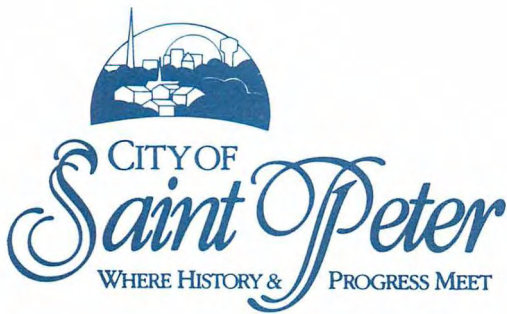
Negative vote: Should the Council not vote for the preliminary levy Staff would ask for additional direction so that the preliminary levy could be adopted, via special meeting, prior to the State mandated deadline.

Modification of the Resolution: This is always an option of the City Council:

Please let us know if we can provide any additional information or clarify anything before your Council workshop on Monday. We will have the usual graphs, charts and other visuals that you have seen in previous years.

Please feel free to contact us if you have any additional questions or concerns.

TP/SV/bal



Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 9/27/18

FROM: Todd Prafke
City Administrator

RE: City Code Modification – Hospital Purchasing Authorization

ACTION/RECOMMENDATION

None needed. For Council review and discussion only.

BACKGROUND

The Council has previously discussed modifications to the City Code related to purchasing authority for the Hospital.

In order to modify the City Code, and as provided under a recent change in Minnesota Statute Statutes, notice of the proposed change has been posted for the required period of time. The notice indicates the Council will consider the modification as part of the October 8th regular meeting.

The proposed change is as follows:

CHAPTER 2 "ADMINISTRATION", DIVISION 9 "HOSPITAL, NURSING HOME, MEDICAL CLINIC, COMMISSION"

The City Council of the City of Saint Peter shall consider a proposed City Code modification related to Chapter 2 "Administration", Division 9 "Hospital, Nursing Home, Medical Clinic Commission" Section 2-628 "Capital Items and Emergency Facilities Purchasing" as part of the October 8, 2017 regular meeting which begins at 7:00 p.m. in the Governors' Room of the Community Center.

Sec. 6-228. - Capital items, and emergency facilities purchasing.

Capital Items shall include any equipment or group of different equipment whose intended use in an integrated manner supports the provision of a singular service, project or program and has a useful life in excess of one year and a purchase price of greater than \$50,000. Capital purchases of \$50,001 to \$100,000 shall be allowed only after formal written proposals have been received and recommended for acceptance by the Commission and formally approved by the City Council. The formal written proposal process shall be as outlined in the City's purchasing policy.

Capital equipment that needs immediate replacement due to a malfunction which compromises the hospital's ability to provide patient service or provide an appropriate hospital environment may be made at the discretion of the Commission under rules it may establish, but must be sent for review by the Hospital Commission and must be further ratified by the City Council if in excess of \$50,001.

No alterations, repairs or improvements to the hospital, medical clinic or nursing home exceeding \$100,001 shall be made by said Commission, without first obtaining formal sealed bids and the approval of the City Council. The sealed bid process shall be as outlined in State Statute and the City's purchasing policy and all bids shall be publically opened and read.

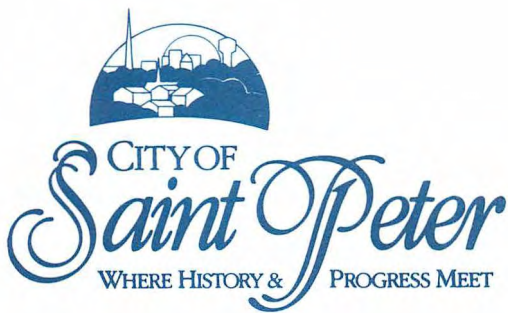
The Commission shall develop purchasing rules or policies for purchases under the limits established in this section and those rules or policies may be more restrictive in nature than those provided for in this section. Copies of any such rules or policies must be provided to the City Administrator's Office upon adoption.

This is the draft the Council previously reviewed and revised and meets the goals set forth in the recommendation by the Hospital Commission.

Time has been included on the workshop agenda for Council discussion. This will come to your meeting on October 8th.

Please feel free to contact me if you have any questions or concerns on this agenda item.

TP/bal



Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 9/27/18

FROM: Todd Prafke
City Administrator

RE: Benedictine Health Systems Bond Issuance Hearing

ACTION/RECOMMENDATION

None needed. For Council review and discussion only.

BACKGROUND

Benedictine Health Systems (BHS), has leased the nursing home in Saint Peter from the City since its construction. At that time, BHS chose to lease the facility rather than own it. The lease also provided direction as to the future terms of sale should that take place.

BHS has contacted my office to notify us of their intent to proceed with purchase of the facility. As such, they have asked the City to provide for a public hearing to consider a proposal that the City grant host city approval for the issuance of one or more series of revenue obligations in the approximate aggregate principal amount of \$20,000,000, by the City of Bethel, Minnesota under Minnesota Statutes, Chapter 462C, as amended, Minnesota Statutes, Sections 469.152 through 469.1655, as amended, and Minnesota Statutes, Sections 471.59 and 471.656, all as amended, for the benefit of Benedictine Living Community of St. Peter and Benedictine Senior Living Community of St. Peter.

Benedictine Living Community and Benedictine Senior Living, or any of their affiliates intends to apply the proceeds of the Bonds to:

- (i) finance the acquisition of a 79-bed skilled nursing facility located at 1907 Klein Street in the City and a 46-unit assisted living residence located at 1906 Sunrise Drive in the City (together, the "Nursing Home Facility");
- (ii) finance the acquisition of a 30-unit independent living residence located at 1302 West Traverse Road in the City (the "Senior Housing Facility");
- (iii) fund required reserves; and
- (iv) pay costs of issuance of the Bonds. Benedictine Living Community will own and operate the Nursing Home Facility, and Benedictine Senior Living will own and operate the Senior Housing Facility which we know as Heritage Meadows.

A couple of notes on the sale terms. The sale will cover all our debts and expenses related to the transaction. The nature of partnership to develop this new facility was to have the services remain here, have it done by a entity that would do it well, and break even when the time came to sell. This does that. We will also have a land lease with BHS as a part of the overall transaction. I can explain that a bit more at your workshop if you have lost track of your goals for this campus.

The hearing is planned and noticed for your regular City Council meeting on October 8th.

Please feel free to contact me if you have any questions or concerns on this agenda item.

TP/bal