

MINUTES
SPECIAL JOINT BUDGET & FINANCE COMMITTEE & CITY COUNCIL

MAY 9, 2011

Jean Soine called the meeting to order at 6:05 p.m. Other members present were Dennis Zimmerman, Jeff Bertram, Jeff Thompson, Gene Beavers, Renee Eckerly, and Belinda Ludwig. Also present were Richard Knowlton, SmithBarney; and Stephanie Hormann, Cable Coordinator. Kirk Johnson was absent.

Motion was made by Zimmerman to approve the minutes of the April 11, 2011 Budget & Finance Committee meeting. Seconded by Beavers and unanimously carried.

Motion was rescinded by Beavers due to no minutes being distributed. Seconded by Ludwig and unanimously carried.

INVESTMENTS 101

Richard Knowlton has been the investment advisor for the City since 1990. He reported that he is not interested in competing for short term money investments. He is interested in the longer term investment if money is not readily needed to take care of City expenses.

Knowlton reviewed handouts:

- Long Term U.S. Government Securities graph shows the 30 year bond today is at 4.30%
- Reviewed the 10 year treasury history
- During 2007 and 2008, the Money Market and CD rates were at 5%
- The City had laddered the investments so that almost every year money is available from 2012-2021
- Current Treasury rates:
 - 10 year is 3.16%
 - 30 year is 4.30%
 - 2 year is .56%
- December 16, 2008 the Federal fund rate dropped to 0%
- There was a discussion on the effect of oil and food prices on the Federal Reserve Fund rates
- Inflation is staying pretty even
- The Federal Reserve made the \$250,000.00 limit permanent for insurance of deposits
- Gold went from \$300.00 an ounce to \$1,500.00 an ounce over the last 3 years
- Council has concern with investing into Fannie Mae, Freddie Mac or Sallie Mae
- Knowlton reported that the MN State Statute allows the City to invest in Government agencies and the City has owned Government agencies back to 1990. The Government agency credit rating is AAA.
- Knowlton explained the implied warranty behind Government agencies which is not a guarantee. The Federal government has set aside money to back the Government agencies.
- Council reported that Government agencies asked for \$8.5 billion dollars on Friday
- Knowlton reported that the City has investment in Fannie Mae, Freddie Mac and Federal Home Loan and that the City Council can set percentage limits to invest into each
- The Budget and Finance Committee will review the percentage of investments into Government agencies at their next meeting

(Jeff Bertram left at 7:00 p.m.)

POLICE DEPARTMENT SURCHARGE

Ludwig gave a verbal report that the City, by law, has to give notice that an apartment is having the utilities shut off for non-payment. The Police department serves these notices. This is also applicable to the mobile home park. The City is currently incurring

costs to have to hand deliver the notices. A fee of \$30.00 is being suggested to cover these costs. The fee would have to be put on the water bill and then received into the Police department as revenue. Council discussed whether this is an additional duty for the Police department to handle. This fee would only go to multiple family living complexes such as apartment buildings and mobile home parks.

Motion was made by Zimmerman to send the \$30.00 charge to the City Council. Seconded by Soine and unanimously carried.

(Gene Beavers left at 7:17 p.m.)

DEPARTMENT OF PUBLIC SAFETY LEASE

Eckerly reported that the State of MN has sent a new lease which has a decrease in the rent amount for the driver exam station by 12.5% to a quarterly rate of \$350.00. The new lease is from July 1, 2011 until December 31, 2013 with a 2 year renewal option. The rent decrease is due to budget reductions. The revenue that the City obtains from the people that take their drivers test and pass offsets the reduction in rent.

Motion was made by Ludwig to renew the lease with the Department of Public Safety. Seconded by Zimmerman and unanimously carried.

2012 BUDGET

Eckerly reported that she was focusing on a 4% levy increase and \$50,000 reduction in LGA in the preliminary budget. She reported some costs at the Library regarding staining on the bathroom walls and weather stripping of the back door.

There being no further business, the meeting was adjourned at 7:30 p.m.

Renee Eckerly, City Administrator