



CONNECTING & INNOVATING
SINCE 1913

League of Minnesota Cities
Board of Directors' Meeting
June 23, 2009

MINUTES

Members Present: Doug Anderson (Dayton), Richard Brainerd (Mahtomedi), Jeff Bertram (Paynesville), Ardell Brede (Rochester), Tim Breza (Winona), John Chattin (Bemidji), Jerry Faust (St. Anthony Village), Matt Fulton (Coon Rapids), Mary Hamann-Roland (Apple Valley), Betsy Hodges (Minneapolis), Ron Johnson (Lake City), Mark Karnowski (Princeton), Todd Prafke (St. Peter), Wayne Wolden (Wadena), Joel Young (Chatfield)

Members Absent: Chris Coleman (St. Paul), Dave Osberg (Hastings), Lauri Winterfeldt (Moorhead),

Staff Present: Gary Carlson, Sarah Dirksen, Marky Engler, Kevin Frazell, Tom Grundhoefer, Laura Kushner, Donyelle Mikacevich, Jim Miller, Pete Tritz, Mary-Margaret Zindren, Heather Cedarholm (IGR Intern)

Call to Order

President Hamann-Roland called the meeting to order and thanked everyone for a wonderful year as President of the Board. She then asked Hodges to share a green initiative and lead the group in the Pledge of Allegiance.

Agenda

Hodges moved approval of the agenda, seconded by Breza. Motion carried.

Presentations/General Communications

- 3.1 Express Appreciation to Del Haag for Service as LMC Ambassador
President Hamann-Roland thanked Del for his service as an LMC Ambassador as well as work on the LMCIT Board.

President Hamann-Roland then acknowledged the outgoing Board members – Chris Coleman, Dick Brainerd, Jerry Faust, Todd Prafke and Lauri Winterfeldt. She thanked them for their service on the LMC Board and to Minnesota cities. The outgoing Board members were presented with a plaque of appreciation.

- 3.2 Presentation from the City of Apple Valley
President Hamann-Roland presented Jim Miller and the Board with a print to hang in the LMC building.

Approval of Consent Items

Young moved approval of the consent items, seconded by Brainerd. Motion carried.

Action Items

- 5.1 Acceptance of the League's August 31, 2008 Audit Report and Auditor Communication
Miller indicated that the Finance Committee met in early May and reviewed the audit for FY 2008 in detail with the auditors. There is unqualified opinion which means the auditors found no concerns that the Board needed to be aware of. The Finance Committee approved a recommendation to the Board to accept the audit. Miller pointed out that the Special Projects Fund was not replenished to the 15 percent target because there were not adequate funds to meet both the general fund balance requirement and the special projects requirement. Brede moved acceptance of the audit report and auditor communications, seconded by Fulton. Motion carried.
- 5.2 LMC-LMCIT Financial Relationship
Miller indicated this item came out of the Board Retreat and has been discussed by the Finance Committee and is now being brought to the Board for approval. He indicated that the Finance Committee will be reviewing the LMC-LMCIT financial relationship on an annual basis from this point forward. Engler highlighted three allocation modifications being recommended by the Finance Committee which included shifting \$264,000 from the LMC to LMCIT to more accurately account for use of space in the Building, a shift of \$159,000 from LMC to LMCIT for HR & Benefits and, a shift of \$34,000 from LMCIT to LMC for the General Counsel Administrative Assistant for a 50/50 cost sharing for that position. Young moved approval of the Finance Committee's recommended changes to the LMC/LMCIT financial relationship and authorization to execute an addendum to the existing management services agreement, seconded by Fulton. Motion carried.
- 5.3 Auditor Selection for the 2009 Audit
Miller stated that the Finance Committee also reviewed this item at their last meeting and is recommending that the Board enter into a one-year contract with EideBailley to conduct the FY2009 audits. They were originally hired for a five year engagement, however, last year it was extended an additional year because of a new League Finance Director. For reasons discussed in the Board report, the Finance Committee is recommending that the contract be extended for one additional year. Miller indicated the League would go out for an RFP next year. Fulton moved approval to retain EideBailley for the League's FY 2009 audit, seconded by Young. Karnowski questioned whether there was any attempt to negotiate the fee increase. Engler indicated she attempted to negotiate, however, a significant part of the Trust audit requires an actuary and they are in high demand which

drives the auditors price up. She indicated she felt it was a fair increase. Faust suggested adding to the motion that next year there will be an RFP. Fulton and Young accepted Faust's suggestion as a friendly amendment to the motion.

Hamann-Roland suggested asking the auditors for a no fee increase for this year due to the financial climate. Young indicated that the Finance Committee felt it was a reasonable increase and did not discuss asking the auditors for a no fee increase.

Karnowski made a motion to table the matter and have staff ask the auditors for a zero increase on fees, seconded by Brainerd. Motion carried.

5.4 Model Cafeteria/Flex Plan for Cities

Miller stated this item asked for a \$5,000 budget amendment to cover the cost of hiring Hitesman & Associates to develop a model cafeteria plan for cities. The \$5,000 would come from the \$550,000 balance remaining in the LMCIT health and dental fund. Kushner stated that this item has been approved by the LMCIT Board. She went on to explain the reasoning for developing this tool which included new IRS cafeteria rules that cities can benefit from, IRS audits of cities are on the rise and this is one of the key things they are looking for and making sure that cities have the actual plan documents and, a change in state law that requires employers with 11 or more employees to establish a Section 125 plan.

Brainerd inquired into the background of Darcy Hitesman. Kushner stated that she is very confident that Hitesman is one of the best benefits attorneys in the State of Minnesota. She routinely works with the IRS folks in Washington, DC and is conservative whenever giving advice to cities. Miller indicated that the League has a long standing relationship with Darcy and are familiar with her work. Hamann-Roland spoke in favor of Hitesman's work as well as the City of Apple Valley has worked with this firm in the past.

Wolden moved approval of the budget amendment in the amount of \$5,000 and to contract with Darcy Hitesman & Associates, seconded by Brainerd. Motion carried.

5.5 Legislator of the Year/Legislators of Distinction

Miller provided some background on this award stating that in 1999 individual legislators were recognized each year for his/her involvement in a significant way of helping the League achieve its legislative agenda. The award program changed in 2005 by broadening the recognition which has resulted in positive results. Brian Strub of the IGR staff then presented the list of proposed legislators. Faust made a motion to approve the recommended legislators of distinction, seconded by Hodges. Brede stated he felt the title Legislator of Distinction is too broad and suggested that it should maybe be narrowed a bit. Miller indicated that the PR Committee of the Board could take a look at the name. Brainerd called the question. The Motion carried.

5.6 Next Steps Following the May Strategic Planning Retreat

Miller indicated that this item in follow up to the May Retreat where discussions focused around the strategic goal of “Fostering financial sustainability for cities.”

Zindren walked the Board through how staff took the criteria the Board developed at the May Retreat and applied it to the list of 26 potential League responses to member cities’ needs. She then walked the Board through the ten activities staff is proposing to help members become more financially sustainable and indicated that this list attempts to bring a package that balances different types of cities and individuals within the League membership.

Karnowski suggested that the League should consider getting a booth at the Minnesota State Fair. Zindren indicated that staff has been talking with MPR about ways the League could sponsor things and that idea has been discussed and is being looked into further.

Fulton indicated that cities cannot keep doing what they are doing and continue to survive; and that something needs to change. He asked why the League wouldn’t initiate a dialogue and have the League become that leader in talking about what communities are going to be in the future.

Miller asked that the Board allow staff to think through Matt’s comments further and see if it may relate to some of the work being done by the Big Three and bring the matter back to the Board at a later date.

Brainerd moved approval of the ten activities including consideration of a booth at the Minnesota State Fair, seconded by Hodges.

Zindren asked for some clarification on whether the Board would like further discussion on the LMC/LMCIT financial relationship. Brainerd suggested that there be a more in depth explanation of this at the new Board member orientation. Breza asked what the underlying reasons were for having separate entities; he indicated that more clarity on that topic would be appropriate. Chatten and Hodges voiced their appreciation for the separation of the two entities. Miller stated that staff will look into a better explanation to Breza’s question of why there are two entities. The consensus of the Board was to allow staff to look into Breza’s question further and develop an explanation. Motion carried.

Young made a motion to go into closed session to discuss potential litigation strategy, seconded by Faust. Motion carried.

5.7 Consideration of legal action against Governor challenging his unallotment decision
Attorney/Client Privilege and Confidential

Grundhoefer provided the background as to why this item was being brought before the Board. After a lengthy discussion, the Board took no action on the matter.

Bertram moved to open the meeting, seconded by Karnowski. Motion carried.

Brainerd moved to go into executive session to consider the Executive Director's performance evaluation, seconded by Hodges. Motion carried.

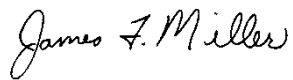
5.8 Annual Performance Evaluation of Executive Director

Kushner indicated that the Personnel Committee of the Board met in May and reviewed the performance evaluations completed by the Board. Hamann-Roland, as chair of the personnel committee, reviewed the Committees discussions and its recommendation for salary adjustment. She indicated that the results of the of evaluations were excellent, but that due to tough economic times, the Committee was not recommending a salary adjustment. Brainerd made a motion to approve the Personnel Committee's recommendations and to renew the Executive Director's contract under its current terms, seconded by Anderson. Motion carried.

Announcements and Adjournment

With no further business, the meeting adjourned.

Respectfully submitted,

A handwritten signature in cursive script that reads "James F. Miller".

James F. Miller, Executive Director