



CONNECTING & INNOVATING
SINCE 1913

League of Minnesota Cities
Board of Directors Meeting
August 18, 2016

MINUTES

Members Present: Rhonda Pownell (Northfield), Jo Emerson (White Bear Lake), Heidi Omerza (Ely), Steve Nasby (Windom) Tim Busse (Bloomington), Mark Casey (St. Anthony Village), Elizabeth Glidden (Minneapolis) Sue Hilgert (Olivia), Brent Mareck (Carver), Mike Mornson (Hopkins), Dave Smiglewski (Granite Falls), Kevin Staunton (Edina), Randy Staver (Rochester), Brad Wiersum (Minnetonka), Robert Broeder (Le Sueur) and Tina Rennemo (Baudette)

Members Absent: Chris Tolbert (St. Paul), Gary Willhite (Crookston) and Anne Mavity (St. Louis Park)

Staff Present: Dave Unmacht, Tom Grundhoefer, Kellie Sundheim, Jenn Poppen, Milt Ferris, Marky Engler, Laura Honeck, Pete Tritz, Kevin Frazell, Don Reeder, Laura Zenz, Dan Greensweig, Gary Carlson, Laura Kushner, Laura Ziegler and Mel Reeder

1. Call to Order & Pledge of Allegiance
President Pownell called the meeting to order and led the Pledge of Allegiance.
2. Approval of Agenda
Emerson moved approval of the agenda, seconded by Hilgert. Motion carried.
3. Presentations/General Communications
 - 3.1 Presentation from Past President Nasby
Outgoing Board President Nasby presented the League with two canvas prints of the City of Windom and thanked the board members and staff for their support during his term.
 - 3.2 Introduction of new Law Clerks Joe Marek and Zach Sutherland
Joe Marek and Zach Sutherland were introduced to the board.
4. Approval of Consent Items
Hilgert moved approval of the consent agenda, seconded by Smiglewski. Motion carried.

5. Action Items

5.1 Approval of FY 2017 Dues Increase

Unmacht provided an overview of the FY 2017 dues increase item. He made 5 key points on the dues increase:

- As part of the Future of the League taskforce, the League board adopted a policy that said that from 2013-2017 we will have at least a 3% dues increase subject to board discussion and approval. This year's recommendation is consistent with the League's policy. This policy will expire this year and will be discussed further at this year's board retreat.
- At its July 6, 2016 meeting the Finance Committee unanimously recommended the 3% dues increase.
- Back in May we had the budget driver's presentation where we presented the rationale for the 3% increase. At that time the board gave preliminary approval to the maximum dues increase.
- The dues increase was announced to the membership to meet the League's 60-day constitutional notice requirement. Staff has not heard any concerns from members.
- The dues increase provides for the League's continuation of services and supports new opportunities.

Mornson made a motion to approve a 3.0% dues schedule increase for FY 2017 (September 1, 2016 through August 31, 2017), seconded by Casey. Motion carried.

5.2 Adoption of the Fiscal Year 2017 League and LMCIT Budget (September 1, 2016 through August 31, 2017)

Unmacht explained that Engler and Honeck will present the details of the budget, but he noted that the Finance Committee did recommend approval of this budget at their July 6, 2016 meeting. The LMCIT Board gave their recommendation at their August 3, 2016 meeting.

Unmacht called attention to his cover letter that is included with the board item. In his letter to the board he highlighted five changes he would like to make to the League's past practices and six major considerations that are under consideration and will be initiated during this year's process.

Unmacht asked if there were any questions or comments.

Wiersum asked if we look at any economic indicators when we propose a dues increase. Engler noted that our dues increase is not tied to inflation but we have historically looked at the relationship between salary/benefits and the dues increase. If we provide our staff with a 3% salary increase then we generally need about a 3% dues increase.

Nasby stated that we have looked at what other cities have done in the past and used that information as a guide.

Engler took over the discussion and commented that the budget process begins in March and heavily relies on a large number of staff to complete. She specifically pointed out Milt Ferris and Laura Honeck for their work on this year's budget. She also thanked the Finance Committee members for their work on approving this year's budget.

Engler talked about the integration of operations between the League and LMCIT. There are 5 areas of integration and she provided some high-level detail on them.

- LMC/LMCIT Institutional Fee
- LMC/LMCIT Shared Costs
- LMC/LMCIT Rent for Building Company
- LMC/LMCIT Capital Improvement Costs
- LMC/LMCIT Building Company Net Income

During the year we had some savings in salary and benefits of about \$493,000. Part of that was the later filling of the CIO position, some vacancies and some lower salary costs for a number of open positions.

LMC will be sharing about \$400,000 of our net savings with the Trust.

Engler continued going through the budget slides with high-level detail and asked board members if they had any questions.

Nasby asked if there was a target amount for the Building Company Fund balance.

Grundhoefer indicated that the original plan was to have enough seed money to make an investment in whatever we decide to do with the redevelopment of the property. Our most recent plans do not have us contributing any funds. In the near future the board will need to decide if we cap that fund or continue to put money into it.

Honeck presented the LMCIT budget to the board. The budget documents that you were sent don't reflect all of the Trust's expenses but the information presented to you today does. The expenses include things for claims, re-insurance, commissions and our contract with Berkley Risk Administrators. Expenses will be about \$54 million for the year.

Projected expenses for the Worker's Comp program are coming in around \$53 million and revenue is just slightly above that.

The recommended total budget for the Insurance Trust is about \$15.2 million. This is an increase of about 2% over the previous year.

Honeck went over LMCIT's budget history and provided a high-level description of the functions that make up their in-house budget and noted any significant changes.

Wiersum made a motion to adopt the FY 2017 Budget as recommended by the Finance Committee as presented, seconded by Staver. Motion carried.

6. Discussion Items

6.1 Review Board Retreat Schedule and Agenda

Unmacht updated the board on recent activities related to September's board retreat in Red Wing. Glenn Harris and Clarence Anthony have been confirmed as presenters. He briefly went over the agenda and asked for questions or comments.

6.2 Legislative Update

Carlson noted that there are some issues that staff are working on in the background in case there is no special session. Many cities are asking about the agriculture containment exception and how to avoid big tax shifts.

Policy Committees recently met for the 2nd time and will conclude their work in September.

6.3 LMCIT Update

Greensweig provided an update on recent LMCIT activities.

- The LMCIT board recently approved the FY 2017 budget.
- Held a discussion on drones and agreed that they do not impose an extreme risk at this time. Will conduct a survey about use.
- Review of Berkley. Loss Control field services staff are doing great work, but have seen some recent employee turnover.
- WC audit report is good.
- Summer storm related claims are low.
- Lake Elmo renewal considerations and the raising of their deductible will go before the board in September.

7. Affiliate Organization Updates

7.1 Coalition of Greater Minnesota Cities

Broeder mentioned that the Coalition is still hoping for a special session. They are currently working out the details for their board's retreat.

7.2 Minnesota Association of Small Cities

Rennemo stated that their organization was also hoping for a special session and they are currently planning their fall retreat and a trip to Washington DC.

7.3 Metro Cities

Wiersum noted that their policy committees are currently going on.

August 18, 2016

Page 5

8. Announcements and Adjournment

Unmacht thanked the incoming board members for their time yesterday to attend our orientation program.

He also mentioned that the State Fair is just around the corner and that a few board members will be volunteering again this year at our Cities Matter booth.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. Unmacht', written in a cursive style.

Dave Unmacht, Executive Director