

Pursuant to due call and notice thereof, a Council Workshop of the North Mankato City Council was held in the Council Chambers of the Municipal Building on September 6, 2011. Mayor Dehen called the meeting to order at 6 p.m. The following were present for the meeting: Mayor Dehen, Council Members Norland, Schindle and Freyberg, Administrator Sande, Finance Director Mork and City Clerk Gehrke. Absent: Council Member Steiner.

Discussion of Proposed 2012 Budget

Mayor Dehen presented opening remarks stating the purpose of this workshop is to have budget discussions in preparation of stating the preliminary tax levy for 2012. He presented the following points prior to the discussion: 1) The City has absorbed \$1.94 million in LGA/Market Value Homestead Credits since 2008, including \$750,000 for 2011; 2) Reductions were done through staff reductions, two years of wage freezes, infrastructure/purchase delays and program/service reductions; 3) North Mankato is the second most cost effective City per capita amongst our comparables at \$481 per citizen (Mankato - \$618); 4) Last year's Council adopted a 0% tax increase despite Council Member Norland's urgings; 5) The State is again renegeing on its contract with the cities reducing LGA by \$500,000 annually as well as reducing the Market Value Homestead Credit; 6) No one on the Council relishes raising taxes, but as elected officials we are charged with providing for our citizens' safety and infrastructure requirements; and 7) The City of North Mankato has enjoyed strong industrial growth and remodeling helping to offset some of the reductions.

Finance Director Mork presented the potential expenditure reductions and revenue enhancements which included total expenditure reductions of \$483,850 and revenue enhancements of \$122,390. The proposed reductions include: 1) Crossing Guards - \$15,000; 2) Building Inspection Non-Capitalized Equipment - \$10,000; 3) Street Roof Repair - \$26,000; 4) Street Pipe - \$7,500; 5) Street Asphalt - \$30,000; 6) Street Seal Coating Oil - \$85,000; 7) Street Seal Coating Rock - \$31,000, 8) Street Salt and Sand for Ice - \$42,000; 9) Street Non-Capital Equipment - \$8,000; 10) Maintenance of Non-Capital Equipment - \$7,000; 11) Swim Facility - \$58,850 net; 12) Mass Transit – Business - \$53,000; 13) Summit Center Appropriation - \$12,000; 14) Eliminate Parkland Levy - \$8,500; 15) Reduce Newsletter to 2 times per year - \$11,000; 16) Defer Equipment Certificates 1 year - \$69,000 and 17) Twin Rivers Council for the Arts Appropriation - \$10,000. The proposed revenue enhancements include 1) Increase in licenses by 25% - \$19,900; 2) Street Lighting User Fee \$1.00/month or \$4.35/acre - \$80,690 and 3) 10% Increase to Building Permits and Plan Review Fees - \$21,800. The Finance Director reported that two levy options were presented at the workshop on August 29, 2011 which resulted in levy increase of 12.17% and 9.77%. A reduction of 1% in the levy will require an expenditure reduction or revenue enhancement of \$48,142. In response to a question from the Mayor regarding the cost of appliance pickup, the Finance Director reported the average number of appliances picked up each year is 610 at a cost of \$13.00 per appliance. Revenues of \$3,900 would be raised if half of that amount was charged to the resident. He also reported that Meyer & Sons charges \$10.00 per appliance and DeGroods charges \$15.00 per appliance.

Council Member Norland reported she has served on the Council for the past five years and she has been struck by how tight our budgets always are, how old the vehicles are and the tight rein staff keeps on the expenditures. She stated she believes the General Fund Budgets and tax levies are too low, that a diligent effort has been made to keep expenditures low and still

maintain the quality of life in North Mankato. Council Member Norland also noted the wage freeze that has been in effect for three years and will continue next year. She believes it is time the Council takes a stand and implements the 12.17% tax levy.

Council Member Schindle reported he would like more cuts wherever possible.

Council Member Freyberg stated he believes our comparison among our peers ought to be good since we don't have a civic center, we have TIF for commercial/industrial and we are a bedroom community. He stated our G.O. debt is 142% higher than 10 years ago and that refinancing of G.O. bonds is the same as refinancing. He is not in favor of financing two-year police vehicles with five-year money. He also is not in favor of giving money to the Small Business Development Center and stated that increasing the size of Caswell Park and constructing 12 soccer fields will require more City workers for maintenance of the fields. He also asked if any consideration had been given to selling Koppen Gardens. Administrator Sande reported that Koppen Gardens is HUD funded and may be a casualty at the federal level but at the present time is functioning well. Council Member Freyberg referenced the CAFR Management Letter which stated our General Fund balance is at 38.4 percent, well below our peer group. He also reference from the Management Letter regarding expenditures being even throughout the year however the City is vulnerable because of changes to State funding. Council Member Freyberg also asked for clarification of the transfers from the Enterprise Funds.

Council Member Freyberg referenced the two resolutions that he will place on the Council meeting of September 6, 2011.

Council Member Freyberg asked for staff to bring budget reductions and revenue enhancements showing tax increases at 7.5%, 5.00% and 2.5% for consideration prior to setting a preliminary tax levy.

There being no other business, the Council workshop was adjourned at 6:58 p.m.

Mayor

City Clerk