

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 4, 2012. Mayor Dehen called the meeting to order at 6 p.m. The following were present for the meeting: Mayor Dehen, Council Members Freyberg, Schindle, Steiner and Norland, Interim Administrator Fischer, Finance Director Thorne and City Clerk Gehrke.

Continuation of 2013 Budget Discussion

Finance Director Thorne reported she met with former Administrator Sande and reviewed the debt service funds and special revenue funds. She stated as a result of this meeting changes have been made to the budget and the tax levy proposal has been reduced substantially. She reported details of the changes were included in a memorandum provided, a revised Auxiliary Fund summary and an updated levy worksheet.

Council Member Freyberg expressed his concern that this Budget Workshop was being held after receiving a complete new set of budget documents which he reviewed over the weekend and now has a new set which he has not had time to review. He reported he would like to take this time to review the changes. Council Member Freyberg asked why there were so many changes considering the audit was just completed.

Finance Director Thorne reported the new Levy Worksheet comparing the 2013 Levy with the 2012 Levy details the changes and reflects a 2.45 percent change. Essential or critical items (such as the vacant Construction Inspector position) change the proposed levy to 2.57 percent. She reported should the Council choose to budget for all department operating requests, the 2013 base levy will increase to 5.21 percent over 2012. However this includes the reduction for the Construction Inspection position in the amount of \$79,657. Council Member Steiner reported he would feel comfortable setting the preliminary levy at 5.21 percent.

The Mayor asked the Council to review the General Fund in order to set the preliminary tax levy prior to September 15, 2012. Council Member Schindle stated that a special workshop could be held next week to review the preliminary levy. Clerk Gehrke reported if an additional meeting is scheduled for the next week, it would need to be a Special Council meeting so the Council can take action to adopt a resolution setting the preliminary levy. Council Member Steiner stated he believes the maximum preliminary levy can be set at tonight's Council meeting and then be reduced at future Council Workshops.

Mayor Dehen asked the Finance Director where the funds were built in to increase the unrestricted fund balance. The Finance Director reported in 2011 the Council adopted a resolution to transfer funds which were not made and will be done in 2012. This will bring the December 31, 2011 unrestricted General Fund balance from \$2,085,321 to \$2,335,321, above the \$2,249,631 required amount per City policy. With these transfers, the increased unrestricted fund balance is approximately 41.7 percent of the total General Fund expenditure budget for 2012. The policy adopted by the Council is 50 percent of the 2012 Property Tax and 50 percent of the 2012 Local Government Aid (LGA).

Discussion was held regarding replacement of the Construction Inspector position who also served as the Emergency Management Director. The Mayor reported the Police Chief has

taken over the Emergency Management Director duties and is attending the necessary schools and conferences for certification. The Interim Administrator reported Derek Tostenson is taking over the Construction Inspector workload and is working substantial hours. The Interim Administrator asked if the Council would want the Police Chief to continue with the Emergency Management Director (EMD) position. He has begun taking the necessary classes to obtain EMD certification. The Construction Inspector position also has the responsibility for management of the flood wall. The Interim Administrator reported that although the large projects are going on, no new subdivisions are planned at this time. In response to a question, the Interim Administrator suggested that a Construction Management student from Minnesota State University-Mankato be hired as a part-time employee. The Mayor suggested opportunity be explored with working with the City of Mankato on the flood wall updates. The Mayor also suggested building in funds for temporary help in the Park and Street Departments. Council Member Freyberg suggested not setting the levy too low in case something else is not accounted for stating his concern about the numbers. He would like to see the numbers remain the same for a couple of weeks.

Discussion was held regarding funding equipment through equipment certificates, for example funding equipment with a three-year life such as patrol vehicles with five-year bonds. The Finance Director reported she spoke with the bond consultant and the equipment certification can be set up so the equipment with a shorter life span could mature sooner.

Council Member Freyberg asked that a portion of the levy go to debt relief. He stated his concern about the dramatic shift in numbers over the past couple of weeks. He also stated he wants to build the reserve balance and would want to error on the side of caution. The Mayor stated that if the Council sets a 7.00 percent increase in the tax levy, it can be reduced over the next Council Workshops.

The Finance Director reviewed the changes in the bonds. The Council discussed the levy worksheet noting the substantial change in the levy for bonds. Council Member Schindle asked if the City realizes any savings when bonds are refunded. Finance Director Thorne reported criteria is in place that requires a certain amount of net savings before a bond may be refunded and the bond documents outline the savings for the refunds. The Finance Director reviewed debt service funds which have deferred assessments. Council Member Schindle requested a report outlining which properties currently have deferred assessments and the terms of the deferment. The Finance Director will present a report outlining deferred assessments at a future Budget Workshop.

Council Member Schindle reported the request for additional sealcoating oil needs to be kept in the budget.

Mayor Dehen reported it is necessary to certify the 2013 preliminary tax levy with Nicollet County on or before September 15, 2012 with the ability to reduce the levy but not to increase the levy. It was the consensus of the Council to recommend the preliminary tax levy be set at \$5,512,772 which is a 7.00 percent increase over the current year to allow for debt reduction, increase in the reserve balance and to allow for consideration of operating requests from department heads.

There being no other business, the Council workshop was adjourned at 6:50 p.m.

Mayor

City Clerk