

Pursuant to due call and notice thereof, a Council Work Session of the North Mankato City Council was held in the Council Chambers on September 12, 2022. Mayor Dehen called the meeting to order at 12:00 pm. The following were present for roll call: Council Members Norland, Oachs, Whitlock, Steiner, City Administrator McCann, and City Clerk Van Genderen.

Budget Work Session: General Fund, Debt Service, and Port Authority

City Administrator McCann stated the purpose of the work session is to review, present, and discuss the recommended budget of property tax-supported funds, such as the General Fund, Debt Service Fund, and Port Authority General Fund. City Administrator McCann reported that the change in taxable market value increased by 16.04%. Staff recommends a 7.7 percent tax levy increase, which will still allow a 3.75% decrease in the tax rate. He reported that the organization chart was updated to reflect the new Culture and Recreation Department Structure. Total staffing levels were at a low in 2015 with 59 employees, but in 2020 staffing levels increased with the addition of the youth football position, the swim facility position, an additional street department member, and the new City Planner. In 2023 staffing levels will go to 64.5 with the addition of at least one new police officer.

City Administrator McCann presented an executive summary of the budget. The Tax Levy in 2023 is presented at \$7,669,360 or a 7.7% increase from 2022. The total revenue increase is \$546,000 from 2022, with \$424,000 going to the General Fund and \$122,000 to the Debt Service Fund. The increase in operating levy of \$424,000 is proposed to support General Fund operations and a new police officer. The debt service levy increase covers current and future debt service payments while meeting debt reserve policies. The proposed General Fund revenues for 2023 are \$10,102,395, an increase of \$680,815. The increase results from an increased tax levy, transfers, permits, and interest earnings. The Port Authority General Fund Revenues are proposed at \$90,976, a decrease of \$3,812, due to a decertified TIF district's admin fees. The Debt Service Fund Revenues for 2023 are proposed at \$3,389,896, of which the total Tax Levy of the debt service fund is proposed at \$1,869,739. The balance comprises sales tax, special assessments, state aid, and TIF payments. Total debt payments in 2023 are \$2,996,405, an increase of \$3,697. The total outstanding debt projected for 2023 is \$49,815,000. The 2023 budget includes a proposed debt issuance of \$3.6 million for streets and \$6 million for indoor recreation.

City Administrator McCann reviewed the 2022 and 2023 revenues and expenditures. Revenue highlights include a 7.67 % levy increase in 2023, which would result in \$424,046 in additional revenue. Building permits increasing from \$397,350 to \$503,450 is a \$106,100 increase due to continued building activities. General fund expenditure highlights include a \$33,024 decrease in the General Government due to no elections and not replacing the payroll clerk, rather dividing the duties of the position. The Police Department has a 7% increase from \$2,351,496 to \$2,511,568 due to funding for a new position and clothing allowances to manage the new uniforms. The Parks Department has increased from \$989,835 to \$1,127,644 to restore the park plan spending to pre-COVID levels. A significant decrease in Miscellaneous from \$68,900 to \$58,660 is due to no longer funding fireworks for Fun Days as the new committee has determined that due to the event being so close to the Fourth of July that there will no longer be fireworks.

City Administrator McCann highlighted specific department reports, including the Police Department, noting the addition of a new Police Officer. The Street Department included a \$79,500 Capital Outlay for the pavement management plan and a \$38,500 increase in Street maintenance due to the rise in material costs. The Parks Department had an increase in Capital Outlay to work on getting back into fully funding the Parks Management Plan. He reviewed the Area Agency Disbursements, which included increases in the cost of the Mass Transit Plan. Mayor Dehen requested further

information concerning ridership and potential options. City Administrator McCann also noted the significant growth in the All Seasons Arena costs due to payments necessary for the facility upgrades.

City Administrator McCann reviewed the Port Authority General Fund and noted that the total revenue is anticipated to decrease by \$3,812 due to the decertification of a TIF that contributed administrative fees to the fund. Anticipated expenditures remained relatively flat. City Administrator McCann noted that in 2027 staff is proposing an increase in the tax levy from \$75,000 to \$85,000 to cover the continued decertification of pay-as-you-go TIF districts.

City Administrator McCann reviewed the Debt Service Fund, which shows the existing debt in 2022 of \$43,151,200 and future debt. He noted that the future debt includes the City not taking on additional debt in 2024 to prepare cash funds for the anticipated new Public Works Department, which is planned for 2026. A discussion was held concerning if the location of the Public Works Department would change from its current location of 610 Webster. City Administrator McCann reported that it is recommended for the site to remain the same. He did note that to complete the whole compound, the City would need to phase the project. Mayor Dehen requested that the City staff forecast the potential debt for the Waste Water Treatment facility based on the needs reported by the City of Mankato. City Administrator McCann said the staff would forecast it in the Wastewater Fund, which would be brought to the Council at a future Work Session. Council Member Oachs requested that staff include the Highway 169/Webster Avenue Corridor improvement MnDOT is planning for 2027 or 2028. The City will need to fund a portion of the project. Council also mentioned the Highway 169/Belgrade improvement also be considered.

City Administrator McCann presented four 2023 Levy Options. Option one is a 7.67% Levy Increase and includes one new Police Officer. Option two is a 10.4% Levy Increase and contains two new Police Officers. Option three is a 13.2% Levy Increase and includes two new Police Officers and cash for additional debt service payments. Option four is a Flat Tax Rate and includes two new Police Officers and additional debt service payments, and cash for other projects. The City Council discussed the four options. Council Members wanted to ensure that a new Police Officer was included and that there was consideration for a second Police Officer. Mayor Dehen cautioned against increasing taxes too much due to the current financial strain on all residents. Council Member Oachs requested additional opportunities for the public to provide project input. City Administrator McCann noted that the City would be conducting two Brewing Ideas events, one on September 28, 2022, and one on October 19, 2022. Both would provide opportunities for residents to provide input into the City's expenditures. Council Member Whitlock noted that adding a new Police Officer is not a luxury but a necessity.

Council Member Norland moved, seconded by Council Member Oachs, to adjourn the Council Work Session at 12:42 pm.

Mayor

City Clerk