

Pursuant to due call and notice thereof, a Council Budget Workshop of the North Mankato City Council was held in the Municipal Building Council Chambers on August 15, 2016. Mayor Dehen called the meeting to order at 6:00 p.m. asking that everyone join in the Pledge of Allegiance. The following were present for roll call: Mayor Dehen, Council Members Spears and Norland, City Administrator Harrenstein, Finance Director McCann and City Clerk Van Genderen.

Discussion of 2017 Proposed Budget

Administrator Harrenstein stated this was the first work session as the City moves towards adopting the 2017 Proposed Budget. The first formal action required will be the adoption of the proposed levy on September 19, 2016. He reported the proposed budget did not include a tax rate increase but City staff is proposing utility rate increases for water and sewer; the last increase was in 2013. Administrator Harrenstein noted this budget nearly fully funds the Street Plan and Parks Plan. He also noted that the sale of land to BUI Properties of Minnesota allowed the collection of deferred assessments allowing enough room in the 2017 Proposed Budget to recommend \$1.5 to \$2 million in borrowing. He reported that during the budget process in 2016 the City did not anticipate borrowing in 2017. He indicated projects could be brought forward with the 2017-2021 Capital Improvement Plan (CIP).

Finance Director McCann presented a PowerPoint providing an overview of the Proposed 2017 Budget. He reported the budget assumes a 2.0% growth in total market value with approximately half in new construction and the remaining half in increased property values which is anticipated to generate \$116,000 in new tax revenue. Finance Director McCann reported the budget anticipates a merit increase of 3% with no additional staff members. City Administrator Harrenstein commented there was a proposal to consider a full-time equivalent public works laborer and Public Works Director Swanson would speak more on that during future budget workshops. He indicated if the position was approved there would be a decrease in the park or street improvement budget to finance the position. Finance Director McCann stated he is investigating other cities and their anticipated raises for staff. His findings currently show cities were anticipating a 2.5% pay increase on top of step increases. The 2017 Proposed Budget also assumes a 3% health insurance increase but staff will know specifics later in the month. Council Member Spears requested City staff consider shopping for health insurance. Finance Director McCann reported a proposed 14% increase in the Legislative Department primarily to upgrade the City Council's computers. A 15% increase of \$16,774 is anticipated in the Swim Facility due to an increase in the contract with the YMCA to run the facility and improvements. Council Member Spears commented that the contract with the YMCA appears to continue to increase and maybe the City should consider alternatives. Administrator Harrenstein indicated the contract has increased but the anticipated increase also includes improvements to the facility in-line with the comments from both the Brewing Ideas meetings and survey results from residents. Finance Director McCann noted a 26% increase in the parks budget which is in-line with fully funding the Parks Plan adopted by Council in 2015. Finance Director McCann reported a 5% increase of \$28,000 for the library which includes additional part-time staff and covers the minimum wage increase. He noted the increase of 890% or \$44,500 in miscellaneous was due to allocating money for the Fun Days Fireworks. Administrator Harrenstein noted the City covers the cost of the fireworks and is reimbursed by the Civic and Commerce Association for approximately 50% of the cost. The fund is also used to cover miscellaneous administrative and office expenses. Finance Director McCann reported an increase in Area Agency Disbursements of 8% due to increased cost share in the mass transit system. Administrator Harrenstein indicated the increase was due to increased ridership and if requested he could provide a more specific cost breakdown. Finance Director McCann broke down the

General Fund Expenditures by department and noted the three highest areas for expenditure were the Police Department at 23%, the Streets Department at 17% and the Parks Department at 11%. He noted that 53% of the budget was for personnel services down from 55% in 2016.

Finance Director McCann provided an overview of the 2017 General Fund Revenue. Administrator Harrenstein noted the City was anticipating approximately \$2 million in Local Government Aid (LGA). He reported that if the LGA was cut the City would cut expenditures in the Street and Parks Department. Finance Director McCann reviewed the Utility Fund Expenditures and noted an increase of \$29,000 in the Water Fund. He noted the City is proposing a \$3.00 base rate increase. The goal would be to build cash to use for eligible portions of improvement projects rather than bonding the entire project. The City is also proposing a \$3.60 base rate increase for Sewer. The overall increase would be a total of \$6.60 per customer. Council Member Spears stated this would be a large increase for residents but stated it would be prudent to pay for capital improvement projects with cash. Mayor Dehen requested information on if the City would experience increases from the improved sewer system in Mankato. Administrator Harrenstein stated it would be prudent to plan ahead for an increase from Mankato. He stated the City of North Mankato has not increased rates since 2013 despite several projects. Finance Director McCann reviewed the local area utility rates and noted that even with the rate increase the City of North Mankato would still have the lowest rates. Finance Director McCann noted few changes in the 2017 Auxiliary Funds. Council Member Spears requested clarification on the Debt Service fund and the proposed use of \$1.5 to \$2 million for a capital improvement project. Administrator Harrenstein noted that in the 2016-2020 Capital Improvement Plan the City did not plan on a capital improvement project but staff believes the City can maintain the tax rate and put a project into the CIP for 2017. Council Member Spears requested clarification on if the City could wait and complete projects using cash. Administrator Harrenstein indicated the cash would be used to fund existing projects and larger purchases such as vehicles. Most projects in the CIP would include new construction and it would take many years of not taking on debt to be able to use cash to fund a project. Mayor Dehen stated many street projects have been deferred and this may be a good time to choose a project. Council Member Spears stated the City is not planning on adding additional parks to the parks system and funding could be decreased. Mayor Dehen stated a consistent request from residents during Brewing Ideas was the addition of restrooms at many of the parks. Council Member Spears noted he has spoken to several residents who are concerned that if restrooms are added to certain parks undesirable events could occur. Council Member Spears stated that with the increased use of Caswell Park the cost of maintaining the park increases. Administrator Harrenstein noted revenue has been increasing and is coming closer to covering the expense. He noted that the concession stand has begun to use credit cards and that has increased concession sales. Finance Director McCann noted he was going to look into making Caswell Park an Enterprise Fund. Mayor Dehen commented that if restrooms were built at Spring Lake Park it may be a good idea to consider a concession stand because during the summer the ball diamonds are often in use. Finance Director McCann reviewed the debt service fund and noted the debt payments will decrease after 2017 and projected debt will continue to decrease. Finance Director McCann reviewed the strategic plan and noted that in two years the City has completed most of the items on the strategic plan.

Council Member Norland noted staff has continued to decrease in the past few years and wanted to know if additional staff members were needed. Administrator Harrenstein stated Council had made it known that the goal was to reinvest in infrastructure and in order to accomplish that goal staff has not been replaced. He noted the frequency of services may have been decreased but staff has done an outstanding job of adapting and have met the rising demand of new events. The City assists

with three or four more events a year. He stated more specific information would need to be evaluated before a decision could be made concerning staffing. Mayor Dehen stated there has been success with the internship program and with the increase of events at Caswell it may be a good idea to consider hiring a sports management intern. Mayor Dehen stated that with an expanding community it may be necessary to hire additional support for things such as snow events. Mayor Dehen recommended administration continue to explore the use of technology to improve services and help manage the workload.

Administrator Harrenstein reported the budget includes increased spending but the spending was not recommended without increased revenue which includes an increase in the tax base, increased Caswell revenues and increased collection in water tower leases. He stated the budget reflects the next chapter in the Council's vision for the City.

There being no further business, on a motion by Council Member Steiner, seconded by Council Member Norland, the meeting adjourned at 7:00 p.m.

Mayor

City Clerk