

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 14, 2020. Mayor Dehen called the meeting to order at 12:00 p.m. The following were present remotely through Zoom for roll call: Council Members Norland, Oachs, Whitlock, Steiner, and Mayor Dehen, City Administrator Harrenstein, Finance Director McCann, and City Clerk Van Genderen. Citizen monitoring was available through a conference call.

Tax Levy Supported Funds: General Fund, Port Authority, and Debt Service

Finance Director McCann reported the proposed budget is based on the \$6,893,333 total tax levy, which is a 1.454% increase from 2020. He noted staff has prepared alternative tax levy proposals as requested by Council and will present those options at the end of the meeting. Finance Director McCann reviewed the budget process, including Citywide Strategic Planning, Department Business Planning, Annual Budget & 5-Year CIP, and Performance Measures. A review of City staffing shows 61 FTEs in 2013, a reduction to 57.75 in 2016, and an increase in 2020 and 2021 to 62.5 staff members.

Finance Director McCann reviewed the tax levy, which includes a 1.454% increase from 2020 and an increase in operating levy of \$98,774 proposed to support General Fund operations. The City's General Fund Budget for 2021 is proposed at \$9,528,954, which is a decrease of \$1,332,441. The decrease is a result of one-time revenue sources in 2020 for state aid overlay projects on Lee Boulevard, Howard Drive, and Marie Lane and CARES Act funding allocated to the City in the face of the COVID-19 Pandemic. The Port Authority General Fund will receive \$75,000 in property tax support, and Mayor Dehen requested clarification on how the overall Port Fund is \$94,590. Finance Director McCann reported the funds to come from TIF District Administrative Fees.

Finance Director McCann reported the total Tax Levy of the debt service fund is proposed to remain flat at \$1,600,166. Total debt payments in 2021 are \$2,790,592. The total amount of debt levied in 2021 is \$1,600,166. The total outstanding debt projected for 2021 is \$26,548,000. The 2021 budget does not include any proposed debt issuance until LGA payments are finalized, and the final CARES act funding is completed.

Finance Director McCann reviewed the General Fund History and Forecast. The total revenues for the 2020 Amended Budget are \$10,890,738, which includes \$1,060,000 in CARES Act money. The total proposed revenue for 2021 is \$9,558,297, which is \$1,332,441 less than the amended 2020 Budget. Increases in revenue include a \$159,498 increase in Charges for Services, which provides for pool fees/concessions, room and shelter rentals, which anticipates a full year of swim facility and a return to indoor events and room rentals. Other increases include an increase of \$51,650 in additional tax due to an anticipated full year of gambling tax revenue in 2021. One significant decrease was a \$73,000 decrease in Franchise Tax due to reductions in cable and electric fees.

Total General Fund Expenditures in the amended 2020 Budget was \$10,727,103, the proposed 2021 expenditures are \$9,528,954 a decrease of \$1,198,149. Significant decreases unrelated to the CARES Act money includes a decrease of \$885,839 in Services and Charges related to a decrease in equipment parts. Increases in expenditures include an increase in Personnel Services of \$295,185 related to increases in health insurance and temporary labor. No raises are anticipated for 2021. The beginning cash in 2021 is budgeted at \$3,770,779 and a cash ending balance of \$3,978,007 for a fund balance of 42%, which meets the fund balance policy.

Finance Director McCann reviewed the 2020 & 2021 Revenues and Expenditures broken down by department. General Fund Revenues with significant changes include the Intergovernmental Revenue, which has a decrease of \$1,862,450, from \$4,202,861 to \$2,340,411 due to the CARES Act

funds additional State-Aid in 2020. Charges for services include an increase of 65% in 2021 due to the pool/concession fees and room and shelter rental increase anticipated in 2021.

General Fund Expenditures with a significant decrease includes the Streets Fund with a reduction of \$535,900 due to a one-time advance of State-Aid in 2020. Parks has a reduction of \$18,973 due to a reduction in the park's planned spending. Miscellaneous has a decrease of \$1,020,472 due to the CARES Act Funding in 2020. The Police Department has an increase of \$134,150 due to anticipated Overtime, Health insurance increases, and clothing allowances. Community Development has an increase of \$54,519 increase due to the anticipated return of rental inspections and the addition of planning staff.

Council Member Norland thanked department heads for their reports, which included a SWOT analysis. She thanked them for looking realistically at their departments.

City Administrator Harrenstein directed City Council to review the Budget Report concerning the Area Agency Disbursements. He noted these are the organizations and memberships that the City supports each year. He said the most significant change is the inclusion of the Mankato Flood Station Control in the fund. Previously the station has been charged in the Stormwater Fund. Still, the Stormwater Fund needed some stability after the last few years, and further discussion will be held during the Utility Fund discussion.

Mayor Dehen commented on the proposed \$18,000 expenditure in Mass Transit-Bus, a decrease from 2020. Finance Director McCann reported negotiations are in progress with the City of Mankato for a hybrid service, which would include a flex route pick up service along with a slimmed-down fixed-route service. He commented additional information would be provided to Council as proposed terms became available.

Finance Director McCann reviewed the Port Authority General Fund History and Forecast. The Port Authority General Fund proposed revenue in 2021 is \$92,088, which \$6,135 less than the 2020 Budget. The decrease is anticipated due to decreased TIF Administrative Fees. Three TIF Districts will decertify in 2021, including LJP, Lindsay, and Allstate. Ziegler decertified in 2020 due to the district being set up as a pay as you go. Total expenditures in 2021 are proposed at \$94,590, which is a \$9,070 increase from 2020. The increase is anticipated due to an increase in Services and Charges, which includes costs associated with planning studies and business appreciations lunches. Expenditures are expected to be \$2,502 more than revenue, but the fund can handle the loss due to a cash balance remaining at 110%.

Finance Director McCann reviewed the Debt Service Fund. The Debt Service Funds account for the accumulation of resources used for the payment of principal, interest, and fiscal agent fees on long-term liabilities. The City of North Mankato strategically uses debt to provide consistency in its high quality of municipal services, without subjecting residents and businesses to dramatic spikes and declines in taxes. He noted in 2015, the outstanding debt was \$34 million, and in 2020, the debt is \$23 million. The City's goal is to keep the debt flat at \$23 million with the City adding \$3 million a year while paying \$3 million a year. City Administrator Harrenstein commented that the City is currently not forecasting additional borrowing in 2021 but may complete a project in 2021. If the City receives requested state bonding dollars, other debt may be issued. The Council will also need to discuss the downtown Belgrade improvements and schedule for that project.

Mayor Dehen requested clarification on the City's total borrowing capacity. City Administrator Harrenstein commented that the max capacity would be approximately \$90 million. City Administrator Harrenstein reported that if you review the bonds, a majority are for infrastructure improvements. The Port Authority's debt is for the interchange, which has been positive for the economic development of the community. He reported the proposed pause in spending for 2021 would benefit the City and allow

the City to rectify any anticipated decrease in outlying years. Mayor Dehen stated the fund is looking good.

Tax Levy Options

Finance Director McCann reported a variety of options for the 2021 Tax Levy were provided. Including the proposed New Growth with a levy increase of \$98,769 or 1.45% increase and a tax rate change of -1.393%. A 1% Rate Reduction for a levy increase of \$154,886 or 2.28% increase and a tax rate change of -1.00%. A 0.5% Rate Reduction for a levy increase of \$226,283 or 3.33% increase and a tax rate change of -0.50%. A Flat Tax Rate for a levy increase of \$297,679 or 4.38% increase and a tax rate change of 0.00%. Finally, a 1% Rate Increase for a levy increase of \$440,472 and a tax rate change of 1.00%. Council discussed the tax rate, and it was determined that staff would provide options for the Council at the next Council Meeting when the maximum tax rate is set. The maximum tax rate can be reduced when the budget is passed in December, but the rate can not increase.

Council Member Norland moved, seconded by Council Member Oachs, to close the meeting at 12:50 p.m.

Mayor

City Clerk