

Pursuant to due call and notice thereof, a Council Work Session of the North Mankato City Council was held at the Police Annex at 1001 Belgrade Avenue on September 9, 2019. Mayor Dehen called the meeting to order at 12:00 p.m. The following were present for roll call: Mayor Dehen, Council Members Steiner, Norland, Oachs, and Whitlock, City Administrator Harrenstein, Finance Director McCann and City Clerk Van Genderen.

Discuss Proposed 2020 Budget

Finance Director McCann reviewed North Mankato's vision which states "North Mankato is a growing and safe community with outstanding recreational assets, well-maintained infrastructure, vibrant business districts and neighborhoods, and provides residents with an excellent quality of life." He stated the budget is used to fulfill the vision. The focus will be on Tax Levy supported funds, including the General Fund, Port Authority Fund, Debt Service Fund, and the Capital Improvement Plan.

Finance Director McCann reported the General Fund Revenue had a total increase of \$465,067 which included increases of \$79,345 in Property Taxes, \$150,078 in Local Government Aid, \$165,938 in increased swim fees and concessions, and \$22,856 in increased interest revenue. Increases in expenditures totaled \$490,300 which included increases of \$261,499 in personnel services, \$98,610 in supplies, \$37,234 services and charges, \$33,317 in Area Agency Disbursements, \$70,100 in Transfers and a decrease of \$10,460 in Capital Outlay. Council Member Norland requested clarification on Area Agency Disbursements. City Administrator Harrenstein reported the fund is used to fund agencies that are in a partnership with the City. The \$33,317 increase in Area Agency Disbursements is to help fund the City's partnership with Ruby Ride. City Administrator Harrenstein noted the \$70,000 in transfers will go to repair the North Ridge Ravine and the funds are the bulk of the increase in collected property taxes.

Finance Director McCann reviewed the General Fund Budget, breaking out the expenditures by department. Discussion was held concerning enacting pay increases for the legislative body. Currently the Mayor is paid \$8,600, and Council Members are paid \$5,800, noting the last pay increase was in 2010. A survey of comparable cities was provided, and staff recommended Council consider increasing the pay to \$11,200 for the Mayor and \$7,600. It was also recommended to consider tying future Council and Mayor pay increases to the Consumer Price Index, making the increases automatic. City Administrator Harrenstein commented that an Ordinance approving the increase would need to be passed and would not go into effect until after the next election in 2020. Council decided to continue the discussion at a later date. Discussion was also held concerning the increased cost in the Street Lighting and Traffic Signals due to increased supply costs and continued conversion to LED. The Swimming Facility personnel and supplies increased due to additional staff and the purchase of concessions for the concession stand and chemicals for the pool. Mayor Dehen noted the increased expenditures and was excited about the prospect of the continued use of the pool. City Administrator Harrenstein commented on the decrease in the capital outlay for the Parks department noting continued support and capital improvement in the parks. City Administrator Harrenstein noted the continued projected increase in the cash balance, noting that the proposed 42% is within the City's policy of between 35-50%, noting revenues exceed expenditures and the City has a good financial picture.

Finance Director McCann reviewed the Debt Service Funds, reviewing the payments for the bonds. City Administrator Harrenstein noted the 2010C GO Refunding Bond has a balloon payment in 2019 and 2020 of over \$600,000. During the recession the bonds were necessary, and the City has been planning ahead for the balloon payments. He noted that over the next few years the City will draw down the Debt Service Fund to cover the balloon payments while still maintaining a cash balance in line with the policy. Discussion was held concerning the continued transfers out to the Recycling

Fund to continue to pay for the debt on the building. Mayor Dehen noted the City and Nicollet County built the building together, Nicollet County paid off their portion of the building, and the City continues to pay for the building.

Finance Director McCann reviewed the Port Authority Fund noting the Fund was included because its revenue includes \$75,000 from the levy. City Administrator Harrenstein noted the TIF projects were producing for the City.

Finance Director McCann presented a draft of the Five-Year Capital Improvement Fund, noting staff would like feedback concerning prioritizing projects. Included in the Capital Facilities & Equipment were new Police Cruiser, Squad Cameras/Radios, Breathing Air Compressor & Cascade Bottles, Bluff Park Gazebo, City Hall Improvements, Computers. Projects included in the Five-Year Capital Improvement Plan were Safe Routes to School-Dakota Meadows, North Ridge Ravine, Harrison Avenue (Cross to Range) and projects yet to be identified. City Administrator Harrenstein noted the City is committed to maintaining and improving infrastructure with over \$8,000,000 planned in G.O. backed bond projects projected in the next five years. Mayor Dehen requested clarification on if the Carol Court lift station was scheduled. City Administrator Harrenstein reported the plan is to complete the project this fall. Finance Director McCann reported the City received a grant for 2023 to complete a roundabout at Howard Drive and Lor Ray Drive with the City's portion at \$500,000. Discussion was held concerning electric car charging stations. Council Member Whitlock requested Belgrade Avenue improvements be considered with the new development on the 300 block and various improvements already considered in the Belgrade Master Plan.

Discuss Proposed Levy

Finance Director McCann reported the staff prepared three levy options for the Council's consideration. A flat levy where the estimated tax rate would drop from 50.950% to 49.491%. The flat levy would require significant cuts to the general fund and cash levels would decrease 2% over the 5-year forecast going from 42% in 2020 to 40% in 2024. The second option would set the levy based on new growth. The tax rate would decrease from 50.950% to 50.311% and would generate \$111,000 in additional spending. Staff has developed the proposed budget on this model. The third option is based on total growth, and the tax rate is estimated to remain flat at 50.950%. The option generates \$197,000 in additional spending. Discussion was held concerning the proposal. City Administrator Harrenstein assured City Council that the proposed budget would allow the City to respond to emergency situations. The proposed levy and budget attempts to balance the needs of the City while considering the individual property owners. Council Members requested staff continue with the proposed budget as presented.

Discuss Food & Beverage Resolution and Ordinance

City Administrator Harrenstein reported the resolution is what the City would file with the State to accept the legislation. The Ordinance would need to be adopted to codify the Food and Beverage Tax at 1/2%. He reported the estimated \$50,000 in increased revenue would benefit the City and Caswell Sports. Mayor Dehen noted the funds would also offset the loss of lodging tax as discussed at the last Council Work Session. Council Member Oachs reported she was in favor of the Indoor Recreational Facility but would not, at this time, support the 1/2% tax. She reviewed information that she gathered reviewing the seven cities that have imposed a Food and Beverage Tax. She reported on the cities population, property tax, and accommodation & food sales. She noted the information was taken from the 2012 Census Bureau. She reported three of the cities are tourist destinations and three have a population over 42,000. With the reported accommodation & food sales in North Mankato she did not believe the 1/2% Food and Beverage Tax would be worth the

implementation. Council Member Oachs noted that Mankato is currently not looking to increase its collection to 1%. Mayor Dehen noted that Mankato collects the ½% and benefits from our assets in North Mankato. City Administrator Harrenstein noted that the collection of the tax could allow the current Caswell Sports operations to break even. Council Member Oachs noted that not all of the changes that have been implemented this year at Caswell have fully been realized and Caswell may not need the tax. Mayor Dehen noted the City could adopt the tax and defer implementation to a later date. Mayor Dehen also commented that with the bonding bill before legislation it may look like the City is not doing its part if the tax is not enacted.

Council Member Norland moved, seconded by Council Member Oachs to close the Council Work Session at 1:30 p.m.

Mayor

City Clerk