

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 September 17, 2018. Mayor Dehen called the meeting to order at 6:00 p.m. The following were present for roll call: Mayor Dehen, Council Members Steiner, Norland, City Administrator Harrenstein, Finance Director McCann, Public Works Director Host and City Clerk Van Genderen.

Discuss Proposed 2019 Budget

Finance Director McCann reported that at tonight's regular Council Meeting the City Council would approve the preliminary tax levy, the amount set would be the maximum amount allowed and could be decreased in December when the tax levy for 2019 was adopted.

The City received an update from the County that reported a 9% increase in market value for \$102 million compared to what was previously reported as an 8% increase for \$89 million. Finance Director McCann reported based on the new numbers the tax rate could decrease by .8% to 51.3% and still capture \$600,000 in new taxes. The total general property taxes proposed by the City of North Mankato for 2019 is \$6,895,397 with the General Fund receiving \$5,252,607, the Port Authority \$75,000, Debt Service \$1,375,458 and the Abatement Levy \$193,332. The proposed 2019 levy dollar amount is \$606,000 more than the 2018 levy. The total tax capacity increase is larger than the tax levy increase which leads to a decrease in the tax rate. The General Fund Levy increase from 2018 was \$629,718 or 13.62%, the Port Authority had a 0% change, the Debt Service increased by \$4,610 up .34%, and the Tax Abatement decreased by \$27,682 or down 12.52%, overall the entire tax levy increased by \$606,646 or up 9.65%.

Finance Director McCann reviewed the North Mankato tax base by breaking it down into Residential, Rental/Non-homestead, Commercial, Agricultural, Tax Forfeited, and Exempt properties. Agricultural, tax forfeited and exempt properties made up only 4% combined. North Mankato Property Types broke down to 78% residential, 13% rental/non-homestead and 5% commercial the estimated market value of those properties broke down to 65% of the value residential, 16% commercial and 11% rental/non-homestead. City taxes paid breaks down to 57% residential, 30% commercial and 13% rental/non-homestead. Finance Director McCann proceeded to review the median and maximum estimated market value, and the top 5 estimated market value combined. The top 5 estimated market value combined were \$4,283,100, residential, \$2,511,300, agricultural, \$28,087,400 commercial and \$27,386,900 rental. The median taxes paid broke down to \$839.72 residential, \$1,283.03 agricultural, \$3,307.79 commercial and \$180.87 rental/non-homestead. Finance Director McCann also reviewed the top 5 combined taxes paid with \$24,649.44 residential, \$13,089.90 agricultural, \$290,850.88 commercial and \$167,847.62 rental/non-homestead.

Finance Director McCann reviewed the Capital Investment Annual Allocation which included the Parks Plan at \$400,000 which is fully funding the program, Street Maintenance Plan, with an allocation of \$400,000, which includes seal coating, and mil and overlay to help maintain streets, Vehicle and Equipment Replacement with \$233,000, Sidewalk Maintenance Plan which has \$24,000, to help residents pay for sidewalks that need to be repaired, \$300,000 in the Water Fund, \$250,000 in the Sewer Fund, \$40,000 in the Storm Water Fund and \$297,000 in the Building Maintenance Fund which is new this year to help maintain and improve our aging facilities. The City will also be making the final payment on the Wheeler property. Council Member Steiner requested clarification on the Public Works Building and the methane gas. Public Works Director Host stated the City is ready to proceed to go out to bid to change the system from passive to an active blower system. Mayor Dehen requested if there were grant funds. Public Works Director Host stated there might be some EPA dollars for clean up. Council Member Norland wondered if the methane could be recycled in any way.

City Administrator Harrenstein stated it was a good idea, but once the fix is made the methane should no longer be present.

Finance Director McCann reviewed infrastructure and maintenance schedule of both street and facilities as both age it is important to plan for repairs and replacement. A discussion of the 2019-2023 Equipment and Facilities Replacement revealed two lawnmowers for \$180,000, two snowplows, one in 2020 and one in 2022, a truck for Community Development, the final land payment for the Wheeler land purchase and rollers allocated to future years. City Administrator Harrenstein pointed out the mowers were \$90,000 each, but the current mowers were purchased in 1982, and these are the mowers you see all around town and they also push snow on the sidewalks. The mowers are well maintained and are aging the more expensive price tag is due to the variety of work the mowers are required to perform.

Finance Director McCann began the Capital Improvement Plan discussion by indicating the projects identified for 2019 included the Tyler Avenue Reconstruction for \$500,000, and the Commerce Drive City portion is \$500,000 leaving approximately \$1,000,000 to be determined. Included for discussion were aging City facilities, ravine maintenance and recreational facilities acknowledging that Caswell Park is now 30 years old. A few items scheduled into the future CIP include \$151,000 in 2020 for Safe Routes to School project at Dakota Meadows and in 2021 \$168,000 for a Safe Routes to School project for Monroe/Bridges. City Administrator Harrenstein stated staff was seeking direction on both the cash and the bonded portion of the CIP taking into consideration the five pillars the Council has created to focus on including the streets, park, budget, facilities, and vehicle replacement. The Council has adopted several plans and has committed to funding and implementing those citizen guided plans. Mayor Dehen requested clarification on if the Sales Tax funds would be available in 2020. Finance Director McCann reported they could be available in 2019, but if the City waited more funds would be available. Mayor Dehen listed his top priorities for the CIP which included completion of the shelter, restrooms and parking at Benson Park, adding restrooms near Miracle Field and in the short-term providing a handicap port-a-potty, the Belgrade Avenue update of the lighting and possibly putting in new electrical service which would make it possible to put in the mid-block crossing on the 200 blocks and four would be to apply funding for the corridor study for 169 from LeHillier to Highway 14. Council Member Norland reported she would like to see work completed on ravines and she wanted to know more about maintaining water quality in the Minnesota River by preventing pollution from entering the river through our storm drain system. City Administrator Harrenstein noted the MPCA has rather strict guidelines for industrial and commercial buildings which includes stormwater holding ponds. City Engineer Sarff reported many of the newer subdivisions have stormwater holding ponds that prevent runoff from going directly into the river, most of these are in upper North. He noted the City is fortunate that lower North has sandy soil that acts as a natural cleaner. City Administrator Harrenstein noted that as the City returns areas to natural prairies and works on managing greenway's this will also help. City Administrator Harrenstein noted that staff was planning on bringing information concerning Caswell Park to a work session.

Finance Director McCann stated the proposed levy would be approved at the next Council Meeting with continued budget meetings in October and November. The Truth in Taxation hearing would be held on December 3rd at 7:00 p.m. and the final levy and budget would be adopted on December 17, 2018. Mayor Dehen suggested maybe the City should set the tax rate at a 0% change to ensure the City has the funds to cover the unexpected costs that may arise. Finance Director McCann stated it was a policy decision that sets the maximum amount. If Council determined they would like to change the tax rate the resolution in the City Council packet would need to be changed. City Administrator Harrenstein acknowledged there were unknowns concerning the Pierce Avenue fix the proposed levy does not take into account payment for that project. He stated the proposed levy and

existing resources should cover the repair based on preliminary estimates. The funds would come from old construction funds, but the City should be able to cover the costs. Mayor Dehen stated that was his concern as it may not be enough. City Administrator Harrenstein noted based on the preliminary estimates the City should be able to cover the costs. Mayor Dehen requested staff prepare a resolution setting the tax rate at a minus .5% and the Council could go lower in December.

Mayor Dehen closed the Council Workshop at 6:57 p.m.

Mayor

City Clerk