

Pursuant to due call and notice thereof, a Council Workshop of the North Mankato City Council was held in the Municipal Building Council Chambers on September 6, 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 Freyberg, Spears, Steiner and Norland, City Administrator Harrenstein, Finance Director McCann and City Clerk Van Genderen.

Discussion of 2017 Proposed Budget and 2017-2021 Capital Improvement Plan.

Finance Director McCann presented a PowerPoint answering questions posed at the first Budget Workshop held on August 15, 2016 and presented the proposed 2017-2026 Capital Improvement Plan (CIP). Finance Director McCann stated the budget assumes a 2.1% growth in total market value with approximately half as new construction and the second half is increased property values. The growth is expected to generate \$116,000 in new tax revenue. The Council will be asked to pass the proposed resolution approving the maximum tax levy of \$5,910,292 on September 19, 2016.

Finance Director McCann reviewed the proposed budget reviewing questions asked during the first budget workshop. He indicated the budget includes a 3% merit increase for employees. Council Member Spears requested clarification on if the merit increase was given based on individual performance. Administrator Harrenstein stated the City has no formalized pay plan so the City raises wages through evaluations. He stated the Police Department is an exception as they have negotiated a 3% pay raise for all employees. Finance Director McCann reported the proposed budget originally anticipated a 3% increase for health insurance rates but the City has since learned there will be a 0% increase in rates producing an approximate \$23,000 in savings.

Finance Director McCann reviewed the water fund indicating an increase in capital outlay of approximately \$202,800 bringing the outlay to \$367,800. He reported the proposed increase is not tied to a project and could be preserved to build cash in the fund. Council Member Spears requested clarification on the proposed increased capital outlay. Administrator Harrenstein indicated the increase is due to the proposed increase in the base water charge. The outlay is not programmed and could be used to build reserves in the fund to help fund the water portion of a capital improvement project. Finance Director McCann reported a proposed increase to the water and sewer base rates increasing the total customer bill by \$6.60. He indicated the City of North Mankato would still maintain the lowest area utility rate compared to local cities.

Finance Director McCann presented information concerning the increased rates for transit services. He reported the City of North Mankato has experienced a decrease in ridership which requires an increase in City contributions to maintain the services. Council Member Spears stated if ridership is down the City should consider decreasing or discontinuing service. Administrator Harrenstein indicated the staff could review possibilities for the transit system.

Finance Director McCann stated staff indicated it is possible for the City to bond \$1.5 to \$2 million. If the City chooses not to issue a bond the City will not realize a savings until 2018. He stated there would be more discussion during the CIP conversation.

Finance Director McCann indicated the swim facility contract with the YMCA continues to increase due to minimum wage increases and increases in insurance and chemicals. He indicated the YMCA has incentive to stay under budget to split the savings with the City.

Finance Director McCann reviewed the sewer contract with the City of Mankato stating the cost is dependent upon flow and flow is dependent on rainfall. Council Member Spears stated he thought the City of North Mankato's system was pretty tight. Administrator Harrenstein indicated the City had taken significant steps to reduce I&I but there are still problem areas. Council Member Freyberg stated he noticed in the CIP the possibility of using the 2017 bonding proceeds to line sewers

and reduce wastewater infiltration. He questioned if the return would be worth the cost. City Engineer Sarff stated the project would only be for a few specific areas and the relined pipes would last as long as a new pipe.

Finance Director McCann explained the expansion of the CIP process from a five year to a ten year plan. He stated the CIP is a flexible planning tool to be reviewed and updated on an annual basis. The document outlines major projects and the purchase of equipment over \$15,000. He stated he would like to expand the CIP to 10 years. The first five years are capital budget and the last five years are for future consideration. He indicated the CIP informs the public of projects in the community and possibly their neighborhood. Finance Director McCann reported he would like the Council to consider using a ranking system to prioritize future projects and equipment purchases. He reviewed the 2017 proposed projects/purchases including replacing a 1978 seal coating truck, a squad car, remodeling the Police Community room and the Finance and Community Development departments, a large map printer for Community Development, funding for the Parks Plan and the Pavement Management Plan and analysis of space needs for the Public Works Department and Spring Lake Park Swim Facility. Council Member Spears requested clarification on why the City would spend money for a study. Administrator Harrenstein indicated the City would like to examine what can be done with the current facilities. Council Member Spears requested the City consider completing the study without outside assistance. Finance Director McCann stated the City Council could now consider what to do with the proposed \$1.5 to \$2 million bonding. He stated the City could choose not to bond and save for a larger scale project such as a subdivision project, largescale street project or a project at Caswell Park. He stated if the City chose to bond it could be used to line existing sewer pipes reducing I&I, ravine stabilization or levee and riverbank improvements. Mayor Dehen stated this was a good time for the Council to direct the CIP. Council Member Freyberg indicated the Council should take the time to use the proposed project ranking system and rank the projects and meet again to discuss the rankings. Mayor Dehen stated the staff should also meet and priorities the proposed projects using the ranking system. Administrator Harrenstein indicated another budget workshop could be held the first Council meeting in October to discuss the rankings and help complete the CIP.

There being no further business, on a motion by Council Member Steiner, seconded by Council Member Norland, the meeting adjourned at 6:55 p.m.

Mayor

City Clerk