

COMMITTEE OF THE WHOLE  
Preliminary Budget Discussion  
8-26-13 – 4:00 p.m.

Present: Mayor Sturdevant, Bohn, Schmidt, DeVries, Bajumpaa, Dale, Bertsch, and Mitskog.  
Staff Present: Huwe, Miranowski, Murr, Mary Kroshus, MacIver, Priebe, Broadland, Lies, Thorsteinson.

The Mayor called the meeting to order at 4 p.m.

Huwe explained that the specific departmental line items to be addressed have changes of a 3% threshold or greater unless there are questions. The preliminary budget statement is to be printed in the official newspaper and posted on the city's website; recent legislative changes have increased publication requirements striving for transparency.

Budget Priorities – Huwe discussed direct service areas and cost value analysis. Currently the city is utilizing Pay-As-You go financing for several enterprise projects with debt financing for special assessments and larger projects. Cost value analysis was discussed for contract renewals. No renewals exceeded 3% for the 2014 budget. \$55,000 for a pay study is budgeted in fund 350. Contributions to NDPERS retirement for employer/employees increased 1% each.

Budget Premises – Huwe discussed sales tax allocations and flood bond debt service reserves. Additional sales tax issues include reallocations between flood, economic development and recreation noting the golf course sustainability challenges resulting in an increased allocation to the sales tax for recreation. EDC has approved and recommended the Economic Development Department operating budget of \$170,500, noting it reflects only a \$500 increase over the current year appropriation. Mitskog said EDC discussed allocating to other areas and there is a need to build EDC reserves because development has been put on hold until flood costs were done. Huwe stated there are still projects such as a slurry wall and breakout easements south of town that haven't been acquired, pump stations that need work and other things to be done before they can further decrease sales for flood mitigation. Mayor Sturdevant said there is a need to close the flood projects so the city can get certification from COE. Miranowski said zoo relocations still need to be completed also. Lies reported that everyone needs to know that there will be reallocations in the future. Huwe said 25% of the 2% tax is the minimum allocation for infrastructure; when the sales tax for flood mitigation was initially adopted 1/3 of a 1 ½% sales tax was allocated for flood, special election in 2003 broadened the use of sales tax to include recreation and eliminated the percentage allocation designations.

2014 Projected Summary of Revenue & Expense – Huwe noted a data entry error in the Sanitary Sewer Fund Budget will reduce overall expenses approx. \$20,000. There is an increase in the franchise fees for natural gas show after contact with Great Plains Natural Gas Co. revealed the recently repealed sales tax on natural gas created an erroneous exemption from the franchise fee; with approx. 50% of City properties exempt from sales tax, they were also mistakenly exempted from the natural gas franchise taxes. Great Plains has corrected the situation so next year's collections will be greater than this year. The Ordinance was written that any overpayment or underpayment falls back to the city. Midco provides us a detailed report. Electric and natural gas franchise contracts were older where some properties weren't subject to sales tax. It was asked if the city can request the missed franchise fees. Lies stated that they can put the entire six years back onto bills for the exempt properties but it would most likely be passed onto customers. Huwe said there was a slight increase in building permits and significant declines in water and sewer sales 2012 and 2013 which will be discussed later in the presentation.

2014 Projected Summary of Fund Position – Huwe said new debt has not been issued for almost three years but we may have a bond issue this fall. Additional payroll costs are summarized at the end and include contract negotiations, staffing requirements, retirements, replacements and positions pending to be filled. The overall change in fund balances is projected to increase \$153,521. The growth in fund equity of less than 2% is considered a nearly a hold level budget. CVB lodging tax fund planning for an equity reserve drawdown is greater than revenue projected. \$39,038 is the revenue funding and they have reserves for 2014.

Mill Levies & Property Tax Estimates - Huwe discussed the pending school bond vote and potential mill levy scenarios and how will it affect property taxes. Broadland created an analysis for a yes vote on the bond issue and there will still be some changes in taxation depending whether valuations have increased, homestead credits, etc. There is no blanket statement that would be accurate for everyone. Huwe is looking to levy \$1,804,364 and discussed how the revenue will come back to city. The proposed tax levy for 2014 reflects a level mill rate of 124.14 which will produce additional revenues of \$69,275. Huwe explained several funds have a statutory levy: airport, jobs development and weeds. The county can also levy for job development and weeds. The additional revenue of approx. \$66,619 is dedicated to dilapidated properties in the Real Estate Levy Fund 233. Mayor inquired about comparisons of mills levied for specific activities from one city to another - Huwe explained NDLC publishes mill rates annually, but the detail on the allocations of mills is not provided.

General Fund Summary of Revenue & Expense - Huwe said the general fund is responsible for basic functions of government unless segregated in other funds. She discussed charges for services billed, such as for the civil defense vehicle that the county quit paying. Increases with franchise fees and municipal court were discussed as well as transfers. Revenue surplus at end of 2013 benchmarking will be discussed. She said there are some significant repairs at the library that need to be addressed as well as some urgent needs using year-end surplus or next years capital improvements. Huwe stated there were larger than normal costs for snow removal.

Revenue & Expense Detail Budgets all Funds – each department head reviewed their budget explaining additional expenses exceeding 3% and service demand changes.

Enterprise Fund Summary of Revenue & Expense – Huwe said Enterprise funds need to be discussed in-depth. She explained the overall increases for council, city hall, election increases for elections that are contracted with the county; and 3% salary increases.

Broadland reviewed her budget and said ¼ of Josh Meyer's salary was reduced due to duty changes.

Huwe discussed the reasons the contract for the municipal court clerk position was eliminated and this position will now fall under city staffing at .8% with pro-rated benefits.

Police Chief Thorsteinson explained his budget. Discussion followed regarding communications budget with Richland County. Several council members have met with and shared the city's concerns with county commissioners regarding communications with more meetings to follow. Right now \$100,000 is budgeted and if it is increased then capital improvements will need to be reduced.

MacIver discussed the upcoming salary survey and said she would like to see her staff salaries increased significantly. She discussed issues with the lift, a Bremer grant that was to repair interior walls but was used for outside projects; \$18,000 donation that was to replace the front door. She discussed grants and donations the library seeks out and said Josh Heitkamp donated shingles and labor for the gazebo in honor of his father. City crews will do the painting. MacIver announced her retirement on December 31, 2013. She along with Mary Kroshus left at 6:00 p.m.

Huwe discussed the fire department budget and said they current have approx. \$265,000 built up in equity for the replacement of a pumper truck in 2015.

Miranowski stated that he has involved his staff more in budgeting. He discussed increases in overtime to provide more services to residents. He would like to add three seasonal employees to tie in with fulltime employees to cover more ground for mowing, patching, painting of street lights and fire hydrants. The public works department will include the Engineer/Project Manager, Josh Meyer, increase in schools & training for continued Ed credit requirements. He discussed the city fleet, emergency sirens, and transfers out. He said there may be CIP changes with the communication changes. Miranowski would like to prioritize CIP and bring back to council later.

Leo Murr explained the water budget and said there has been additional overtime because of problems with the old lime silo system. He said the meter reader contract should decrease with the installation of radio read meters. Murr would like to obtain a backup generator for use during power outages. Huwe discussed revenue and water production shortages and said customers are using less water and we are not benchmarking projected revenue this year. The addition of a \$3.95 rate increase will help break even as the previous five-year rate structure wasn't based on the system aging. Huwe said there has not been strong growth with the meter replacement project and said there is a 15.2% in lost sales. Miranowski reported that our rates are low compared to an AE2S survey. The Mayor referred the rate increase to PWPS. Murr discussed the hydrant policy and the need to change it because it is too stringent. Miranowski will research installing a water filling station to keep sales in town. Huwe said there is a new contract with OTP for street light maintenance. She said the Pay As You Go financing won't work on some open projects. Vector Control budget that includes Miranowski and Fehr salaries were discussed. Huwe discussed the Enterprise Funds (page 18) and said with the 3 part recommendation including the transfer of \$438,854.34 from the Sales Tax for Infrastructure Fund and the need to implement the increase in the water base rate to resolve the \$104,097 shortfall. Huwe recommended "drawing a line in the sand" to financially stabilize the Enterprise Funds and ensure the self-sufficiency and sustainability of services.

Payroll Summary – Huwe said there is a 3% salary and an employer and employee 1% retirement increase budgeted.

Public Notices, Budget Ord. No. 954 & Certification of Levy – Huwe reported that the City is required to print a public notice of hearing on the proposed 4% increase in the mill levy and the preliminary budget statement will need to be printed after first reading. The preliminary budget will go to City Council on September 3<sup>rd</sup> for a public hearing. Huwe reported that public notice letters will be sent out tomorrow for 63 properties. The first reading of the preliminary budget could be held on September 16<sup>th</sup>. Discussion followed regarding reviewing the budget on September 16<sup>th</sup> and or September 23<sup>rd</sup> at the special Council meeting scheduled for the hearing on the Wheatland Rd. street vacation request.

Motion by Mitskog to adjourn the meeting at 7:14 p.m.

Submitted by Jerrilyn Gutzmer