

COMMITTEE OF THE WHOLE  
Preliminary Budget Discussion  
August 8, 2012 – 5:00 p.m.

Members Present: Mayor Sturdevant, Aldermen Bohn, DeVries, Dale, Bajumpaa, Bertsch.

Staff Present: Fire Chief Rubish, Development Director Priebe, Police Chief Thorsteinson, Auditor/Finance Director Huwe, Attorney Lies, Public Works Director Nelson, Librarian MacIver, and Auditor's Assistant Gutzmer.

Also Present: Mary Kroshus, Leach Library Board member.

Mayor Sturdevant called the meeting to order at 5:00 p.m.

Huwe stated that the Public Works Operations Manager position is in the preliminary budget and itemization shows the impact with this addition. Salary for this position is allocated in four different funds to match the job description. She stated that in general, revenue and expenses are pretty consistent for the overall numbers. Huwe stated that all budgets show the 3% increase in salaries and 1% for retirement. In the department budgets, the points to be reviewed are changes but staff can address other questions as well from members.

Huwe stated that the budget ordinance has to only include true expenses for any fund that receives tax funds in any shape or form. On payroll ranges, Huwe said they moved with a 3% COLA.

**Fire Department** – Rubish is requesting an increase of \$1,000 in seasonal wages. Decrease in heating fuel because of renovation of southside hall siding; increase in electricity. Increase of \$1,000 in miscellaneous which a catch-all and is always in the negative. The fund covers maintenance on generators, and snow removal at both halls. Increased in public utilities because they are now being charged for water & sewer; increased pagers for those that need to be replaced. Bohn asked if there are any grants available for radio/pager replacement. Dale stated that Richland County just bought four new radios. Mill levy shows that the northside fire station is paid off this year; next year the Hackney Rescue truck will be paid for. In 2016, they will be looking at replacing trucks at a cost around \$550,000. He said federal grants for smaller communities are causing truck prices to go sky high. Huwe said the city tends not to qualify for those grants. Huwe discussed AFG assistance for fire grants and said that Brett Lambrecht uses talents for obtaining grants. She discussed adding mills so they will stay flat and explained that she over projects the fire dept reserve system because of stipulations in ND century code. Huwe discussed \$108,700 dollars left at year end and expense of \$40,000 for equipment replacement that they tend not to use that builds up the fund. Rubish stated that earmarks in the levy are for truck purchases. Rubish left at 5:21 p.m.

**Library** – Bonnie MacIver and Mary Kroshus were in attendance. MacIver said the outreach program is used to purchase large print books. This went over budget in 2011 and was increased by \$1750; building operations increased by \$1,600. Bohn asked about the lift and MacIver stated that eventually the large lift that should be replaced. The last quote to replace it was at least \$100,000. A chair lift system wouldn't abide with the ADA rules. Huwe said replacement of the lift could be funded from CIP fund and from library funds when it is needed. She explained fund accounting rules that libraries are treated as a component unit and have to be self sufficient. She said there is limited funding for libraries.

MacIver said that the library is being charged for sewer and water now. Increases in equipment maintenance for computers or technology purchases were explained. The Gates Foundation purchased many computers that now need maintenance. For \$199 month, Digital Guru will come in to maintain them. MacIver said they will need to start replacing computers on their own now, but she is hoping the State Library will come up with grants to help replace them.

MacIver said after she submitted the budget she received a resignation from the Children's Librarian. The board would like to increase that position to full time to be in charge of all activity programs and because of increases in usage. There is a need to also keep both floors supervised. DeVries said the board is in favor of a full-time person and discussed safety issues with one person on staff and security as far as

making sure materials are safe and if this is a full time position, they could take on children and teens programs instead of hiring part-time help. It was reported that there are no security cameras in the building. The estimated increase in salary and benefits is \$11,652.87. The hours would increase from 32 to 40 hours a week. Huwe said this is the only benefited part-time position in the city. MacIver needs to advertise the position now because of time constraints. She has an Experience Works position but will soon lose her and needs to cover that position as well. Huwe said the fund has good reserves and she would do a budget amendment for 2012 to make it work and can program the increases into 2013 by arranging the budget now. She said the committee can allow advertising for full-time now, to which Lies said can be ratified at next full council meeting. **Consensus by DeVries, Mitskog, Bohn, Dale, Bertsch, and Bajumpaa to advertise for full-time position for children's librarian to be ratified at the next City Council meeting.**

Mitskog asked about county contributions and asked how much time is spent in outreach. MacIver said they are in Fairmount once a month and county residents also come to library. Last April they asked for an additional \$10,000 along with \$10,000 they receive now from Richland County. Lidgerwood and Hankinson have libraries but don't offer the same services. Bohn asked if the library perceives larger projects in the future. MacIver stated possibly windows. MacIver and Kroshus left at 5:47 p.m.

**City Hall** - Huwe reported that the city hall budget overall change is 2.2%; with computer replacement done every other year same as elections. Office supplies are down and computers don't need to be replaced. The overall audit expenses will go up 25% because of heavier financial regulations and the state being more stringent with municipalities. Huwe reported that the federal government is looking at municipal audits more closely because of bankruptcies and poor audit reports. Most changes are payroll changes, such as health increases; there were several employees with qualifying events where they had no insurance through the city and had to pick up health insurance coverage. When an employee transitions from single to family it's a \$5000 increase per year. Huwe does budget amendments at year end to handle these types of issues.

**Assessing** – Huwe reported that Broadland is at state equalization in Bismarck this week. She stated that Broadland has to be certified as an assessor. Increases are primarily payroll related with a small increase in schools and training for building codes. Josh Meyer coordinates and maintains data. There is a 2% residential increase to make sure the city maintains statutory compliance for sales to market ratio. With a 5% or more difference systemic increases and or reappraisals would be required.

**Special Levy Funds and Debt Service Funds** – Huwe stated that bond payments are made out of debt service funds. She said two refinancings were done in 2012 that were unbudgeted. She estimates projected ending fund balances and said there are no under-performing debt funds. Fund 455 includes the West Briarwood project where no specials have been paid. The funds saved in refinancings will break even with non-payment of specials for Briarwood. Sturdevant asked what Richland County is doing with Briarwood and if they sell will the city get paid the specials. Huwe said the county would prorate and she doesn't think that they pay specials. This property has been offered at a sheriff's sale. Lies said city can purchase the property from the county. He explained that the assessor could value the property and we could offer amount that to county for the property. Huwe said the city is responsible for maintenance since county doesn't maintain tax forfeited properties. Lies explained that the property was special assessed for water and sewer to individual lots. It could be rezoned and used for industrial property. He doesn't think the lots are large enough for twin homes. Mitskog asked that this be referred to Finance Committee.

**Special Revenue Funds** – Huwe said these primarily tie directly back to property tax sources. There are no significant changes from 2012 to 2013 with small mill reallocations attributed to payroll increases. The largest single month sales tax collection in history was received today and on budget to collect over \$2 million this year. This will be a \$400,000 increase, but she is not ready to recommend changes for 2013. Bohn asked if there is enough in the real estate levy fund for dilapidated property maintenance. Huwe said there is a fund balance reserve and this could be discussed under Urban Renewal. 2012 was a strong financially performing year and it is evident special revenue funds are meeting goals including the special sidewalk fund for 2013 budget. Bohn expressed concerns about holding the mill levy constant and asked if there is an opportunity to not increase taxes using revenue streams. Huwe said with the addition of new homes, the city provides more services and the additional homes do increase the mill value. She said Ag

land values will significantly impact the school district and county budgets. Mitskog discussed the governor's discussion on possibly lowering property taxes and valuations. Huwe stated property tax reform and relief will be primary topics in the upcoming legislative session. With the meter replacement program and large equipment replacement on schedule, this will convert cash to assets. There is no scheduled increase in utility rates in this budget as they are at the end of the 5-year rate increase resolution.

Huwe said there is a duty to provide operations accountability in fiscal reporting. She will post the budget on the city's website and publish two public notices. Huwe discussed summary and mill levy history and said the park board anticipates holding level. Huwe discussed changes in tax levy certification, what was collected and transferred into the general fund. The library has had aggressive capital improvements this year, with the mild winter the city was able to rebuild the snow and flood emergency fund, and the fund has statutory limits each year. She said existing mills were reallocated and we certify dollars and the value of mill could be different than what we project.

**General Fund Revenue** – Huwe said this fund is expected to increase 6.64% and explained small decreases in license/permit and fees and said gas franchise fees are less than projected. She adjusted liquor licenses because one holder said they are not renewing. Court fines dropped because of multiple variables. Thorsteinson said there were reduced traffic fines although calls have stayed steady. He said that police aren't getting as many offenses such as alcohol because the message is getting around. They are seeing more serious offenses that go to district court and we don't get fine revenue from district court. Huwe, Thorsteinson and Lies have visited with Judge Krassin and said it is difficult to track fee collections when the court system makes payment arrangements with offenders. Thorsteinson said the previous judge put more people in jail but the city spent more funds to house them. Lies said most fines come from low income offenders who have difficulty making payments.

**General Fund Expenses** – Huwe said she wrote explanations for items exceeding the 3% cost of living increase. She reported that the level of activity and service demand are meeting each other.

**Culture & rec** are proportionate to the increase in State Aid shared with the Park Board.

**Enterprise Funds** - have strong revenue trends. There is a new line item for an inert landfill as there is debris in some areas to clean up. Vector fund has good reserves and Huwe would like to reallocate \$.25 from Vector's \$1 to street lights because of shortages in that fund. Lies stated the ordinance allows this and rates are set by resolution, not a vote of the people. Huwe explained that the city can't transfer funds from one enterprise fund to another, but can change rates. Nelson explained that people will be paying the same total on their utility bill. **Consensus to allow this request.** Huwe said this will be added to the city council agenda on Monday.

**Compensation summary** - includes 3% COLA including one new fte on the PW side. Huwe didn't budget for health insurance increases in 2013 because they are unknown until next spring. She said there are reserves for it under employee bonuses, which has a \$38,000 balance. Huwe stated that non-property tax revenue has grown. Sales tax for economic development pays salaries as well as the flood maintenance fund. There is a 6.62% salary and benefits increase with new fte. Without the new position it would be 3.6% including retirement increases. Salaries are straight COLA's with no change in grades. It was discussed that department heads address raises specifically in employee evaluations. Nelson explained that increases during the year may be contingent upon an offer of employment. If a required license is obtained within 6 months, then they may get an increase based on a condition of employment.

**Capital Improvement Plan** – Huwe stated that this fund includes capital leases for a tractor and loader to be reviewed by PWPS. **Consensus to provide equipment replacement essential to service delivery.**

**Sales Tax revenue allocations** - Huwe said she would like to see flood funds build another year. Sturdevant asked if the city is still faced with buying easements. Nelson stated there is still a need to acquire flowage easements but now we have townships assistance. He explained drainage problems that townships can address and said there will be expenses with flood maintenance and drainage within the park system.

**Sidewalk Mtce. Fund** - Huwe said the city has a \$50,000 capitalization proposal to incent property owners to make repairs with a matching program. Nelson said there are future plans for 4<sup>th</sup> & 3<sup>rd</sup> Av S to widen to provide on street parking for WCC. The sidewalk would become curbside but to replace sidewalks now without doing the street is not feasible. Project has been deferred because of funding constraint issues but is part of CIP identification. With sales tax there are sufficient matching funds available.

**Economic Development** – Priebe discussed salaries and coverage for each position budgeted. She said there is not a lot of movement in the budget this year and the majority of her travel occurs later in the year and beginning next year with the legislative session. Her staff is getting more out of internet communications so there is a drop in postage and mailings, but she may need to increase phone usage. She has engaged Absolute Marketing for updating community and cultural profiles. There is a drop in advertising because her office will do this more locally. Priebe discussed dropping the attorney line item because her department has used less of that office and have been utilizing the loan ledger software program more. CDC legal items have dropped off. Priebe reported that the EDC reviews her budget as well.

**Police Department** – Thorsteinson increased the machine service contract with Leads On Line. He needs to increase office supplies to replace chairs. Canine is a new account where previously a private canine account had been setup. Thorsteinson said he is asking for \$5000 in the CIP to replace Stryker because he is getting older. He said the same people he bought Stryker from have a dog at a lower price than Stryker was bought for. His department has derived great deal of benefit from the K9 unit. Thorsteinson said he has two officers that would like to adopt Stryker when he is retired.

Matching funds went up \$250 and Thorsteinson said his officers obtained grants where they have needed matching funds. SEMCA increases for asset forfeiture can be used instead of burn grant funds. He increased vehicle maintenance because of the older vehicles in service. Thorsteinson is comfortable backing away from radio maintenance because Lambrecht got a \$24,000 grant for portable radios. He said they may need to replace mobile radios soon. A sinking fund was established in 2004 that he is backing away from this year. There is an increased gas and oil costs due to rising prices. Tires are a liability and his department has been seeking alternatives to towing.

Thorsteinson said on the communications side he has issues with Richland County's charges. Alternatives were discussed where the city may need to force the county to the table by not paying the bill for 2013. Rent is contracted with a 2% increase per year. Huwe stated that the finance committee reviewed service agreements with Richland County where the police prepay to have telephones at \$3600 a year and they also pay for the service separately. She discussed prisoner costs. The total fund budget is increasing 10% and is getting to be a sizable expense. Thorsteinson said the sheriff realizes the value the police service provides to them. He said his office staff dispatches calls to dispatchers and his officers take calls that the sheriff's department won't take for dogs, door unlocks, etc. **Consensus of the committee to evaluate funds paid to Richland County for 911 communications, LEC rent, telephones, and prisoner board.**

Lies recommended the need to make a list before budget time next year. In addition to the contracted amount, the city pays per dispatched call, along with rent for the dispatcher's space as well, when they need that space anyway. Lies said we are county residents and pay for those services already through taxes and no other communities pay extra for these services. Mitskog said these issues were discussed at length yesterday at Finance Committee and asked what are our options or motive with investigations and can we cross state lines. Lies said yes, but we would need to know the level of service options. Thorsteinson said there are options, such as to contract with the regional dispatch area or go to state radio. It was reported that 911 taxes are paid by residents from phones already and in addition we are billed for that service for our residents. Consensus to rework this portion of the budget by keeping communications at 2012 budget and have the difference in reserves in Miscellaneous until a better agreement is reached with Richland County.

Don Bajumpaa left at 8 p.m.

**Street Department** – Nelson reported that there is an increase in gas costs. Equipment requests are a wheel loader based on 5-year capital lease and keeping the current 1995 loader in inventory. \$42,000

would be the annual payment with a 33% split from the flood levee maintenance and sewer budgets. Cost for a snowblower is \$55,000 and if there is an opportunity he would buy a used blower for the front end loader. The jetter vac truck is split 60/40 sewer/street with trading the existing one. The street sweeper and Volvo grader will be paid and the purchase of tractor to be used for levee maintenance and drain no. 1 ditch is needed, with 2/3 from levy and 1/3 from Street and Sanitary Sewer. Nelson explained possibilities and said the snow dump expense is budgeted at \$35000 for a new snow dump site prep.

**Levee Mtce. Fund** – Nelson explained asphalt road repairs needed to maintain asphalt on levees and at pump stations at \$5,000. \$11,200 is budgeted for PW Op Mgr. Turf maintenance of \$1200 is budgeted for fertilizer for root mass development on levees.

**Water Enterprise Funds** – Nelson said there are some account changes to clean up distribution of salaries, but that rates won't be increase or duplicated. \$11,200 for PW Ops Mgr is in this fund. Nelson suggested scheduling a meeting with three department managers and two members of each committee to allow some questions to be asked directly to them. He said because the position is in the budget doesn't mean it will be filled. **Approval of job description, advertising for applicants, and integration of position are at Council discretion.**

Nelson discussed chemical cost increases. Meter change out will be budgeted differently. Overhead storage is water tower maintenance costs. Nelson discussed all water valves where some don't operate or stay water tight. This inspection should be done bi-annually as part of an operations maintenance program. Water break repairs have increased and history shows numbers should increase. Water main valves increased along with changes in hydrants. Nelson explained that curbstop repair dollars come back by assessing to the property. A gas main extension to the waterplant to change propane to natural gas is estimated at \$10,000, with no firm numbers from Great Plains.

Nelson said if the park and zoo were metered, the payback would be covered in a year. They may choose to get their water differently at that time, but a lot of unaccounted water is in public areas. The park board currently pays \$500 a year for what may be \$25,000 yearly cost. The city started metering the fish cleaning station and restrooms in the last month and Nelson has told Beyer to budget for these costs. There are no special rates or volume use for entities as the ordinance says all government entities pay the going rate. Some water use is for irrigation where there would only be water charge.

Grand total was a 13.8% increase and includes transfers out of water enterprise funds. Nelson said rates should be investigated before year end. Lies explained that NDSCS funding is in a 2-year cycle and they would need to know asap. AE2S does rate studies and looking at a graph we are above median in water, and 1/2 to 2/3 in rates state-wide.

Huwe said the preliminary budget will remain on both Finance and PWPS committees. The preliminary budget can be changed before it is adopted in September.

DeVries left at 8:30 p.m.

Mayor suggested that PWPS look at the CIP budget. Thorsteinson discussed the alarms increase along with one squad card. VARDUS radios are wide band analog that need to be replaced after 2013. Nelson said a license upgrade for Arc software is needed and is used extensively internally. This software allows city staff to get data to outlying areas with current updates on the water/sewer infrastructure. He said other than PW Ops Manager, things are staying the same.

Huwe explained that in 2010, Congress suspended 2% in employee F.I.C.A that expires on 12-31-12. Lies stated that the Social Security tax is beyond our control and not a city issue.

Meeting adjourned at 8:40 p.m.

Submitted by Jerrilyn Gutzmer