

**APPROVED MINUTES
OF THE SPECIAL MEETING
CITY OF EAST GRAND FORKS
TUESDAY, AUGUST 21, 2018 – FOLLOWING THE COUNCIL MEETING**

CALL TO ORDER:

The Special Meeting of the East Grand Forks City Council for Tuesday, August 21, 2018 was called to order by Council President Olstad at 5:52 P.M.

CALL OF ROLL:

On a Call of Roll the following members of the East Grand Forks City Council were present: Mayor Steve Gander, Council President Mark Olstad, Council Vice President Chad Grassel, Council Members Clarence Vetter, Tim Riopelle, Henry Tweten, and Marc DeMers.

Karla Anderson, Finance Director; Nancy Ellis, City Planner; Steve Emery, City Engineer; Mike Hedlund, Police Chief; Charlotte Helgeson, Library Director; Reid Huttunen, Parks and Recreation Superintendent; Gary Larson, Fire Chief; David Murphy, City Administrator/Clerk-Treasurer; Megan Nelson, City Clerk; and Jason Stordahl, Public Works Director.

DETERMINATION OF QUORUM:

The Council President determined a quorum was present.

1. Discussion of 2019 City Budget.

Ms. Anderson started the discussion by reviewing the talking points and the 10 top priorities that were determined at the visioning session. She reminded the Council the federal sub-target dollars were received this year so the next time they would be received will be in 2022. She said there has been discussions between the communities on a south end bridge, the assessment policy was being worked on, and asked what target the City wanted to set for reserves because currently the reserves are over 50%. She explained a recap had been put together that included the estimated fund balance, revenue, and expenses.

Council member DeMers asked if the \$5,400,000 was end of year balance. Ms. Anderson said that was the total for the end of 2017 and at this time they are expecting to break even at the end of the year to the fund balance should still be there. She continued reviewing more information on where the current revenue versus expenses are sitting at for each department, a sheet showing revenue, and how the 2018 expenses are close to how expenses looked in 2017. She added there was a sheet with information on specific homes that have been used over the last few years and how each would be affected by levies from 4% up to 8% but right now the information wasn't clear. Mr. Murphy reminded the Council that they have been using the information from the same five properties since 2012 showing what the market value has been and how each are affected by the levies. He explained the problem is they don't know what the market value is going to do since the changes in value were different than from previous years and because of not knowing what the market value will do this year they don't feel comfortable making a guess. He added the County won't have that information until sometime in September. Ms. Anderson said they could wait until the truth and taxation statements come out and then they would be able to tell for sure

how the properties would be affected.

Mr. Murphy suggested they review what is coming up, how there is a larger gap in wages because the budget includes adjusted overtime for the police department and more for part time or seasonal help which is more realistic to what has been paid compared to what had been budgeted previously. He stated the wages shown did include what had been projected from the wage study and a 2% cost of living increase. He reviewed the different percentages of increases for employees based on how long they have been at the City and that the majority of increases are with wages and salaries since that is the biggest expense for the City. He added they have looked into capital improvements and equipment, there were no big street projects planned for 2019, and most everything that has been planned is included the street reconstruction budget that is usually set at \$250,000 but has been increased to \$300,000.

Council President Olstad said the numbers for police overtime and part time are more realistic and asked if they haven't been spending down the reserve to cover the cost where had the additional funds to cover these costs have been coming from. Mr. Murphy stated it depended on the rest of expenditures and how if areas are being underspent they may be covering those that are over. Council President Olstad commented that there should be different allocations in the line items to show accurate costs. Council member DeMers said if that is the case both lines need to be adjusted with an increase to one and a decrease to another line item. Discussion followed on how the line items end up are in the CAFR each year, how the City is conservative on estimating revenues so some years more was collected than expected, how currently there aren't transfers done for line items that have gone over budget, and if everything was overspent there would be a change in the fund balance to cover the overage. Council President Olstad stated if the fund balance was not decreasing and they are using more realistic numbers for expenses other lines will also be changing.

Ms. Ellis stated she handles five budgets and estimates the best she can but some times in one line item expenses can be either more or less than expected so for some items it can be very difficult to get every line completely accurate. Mr. Murphy said there is a good fund balance in place, there is a good capital improvement and equipment plan, and they are working on getting the line items more accurate than they have been in the past especially with personnel. Council President Olstad commented how personnel is the biggest cost for the City and using accurate numbers allows the Council to see what the correct costs are each year. Council member DeMers said if there was going to be an additional \$100,000 added in overtime to reflect the correct costs the overall budget for that department shouldn't be increased by that much but rather stay the same because the department head should be able to figure out where those addition funds have been coming from. Council member Riopelle commented how if one line item is increased another should be decreased.

Mr. Murphy said there are some departments that have overspent while others do not. He added how some of these expenditures might also be covered by other revenues. Ms. Anderson explained there was an additional \$332,000 more collected in 2017 than expected but there were also \$97,763 that was over spent as well. She added how some volatile budgets such as fuel, snow removal, and utilities can be difficult to estimate. Mr. Murphy said after personnel, utilities and fuel are the next highest costs.

Mayor Gander reminded everyone there was going to be a \$90,000 decrease to LGA for the City in 2019. He explained these funds are sent back from the State to help cities with operations based on a formula set up by the State and at this time there would need to be a 2% increase to the levy to cover that loss. He continued saying they don't want to see a decrease in the fund balance, things will need to grow with inflation, and every year there seems to be a tight budget. Ms. Anderson told the Council that based on

expenses the fund balance is at 54.3% and if it is based on revenue the fund balance is at 51%. Mr. Murphy said they didn't need to plan on putting any more into reserves at this point.

Council President Olstad asked if staff is looking for direction. Mr. Murphy said they need a plan and depending on what percentage of a levy personnel might be affected. He stated based on what had been negotiated in the union contracts without any changes there is an increase of 10% for personnel so if the Council only wants to see a 5% levy that won't happen without changing personnel levels. Council member DeMers asked if they could be a little less conservative with the revenue forecast. Mr. Murphy said if the current trends continue they might be able to change it by a couple percentage points. Ms. Anderson commented that there are times when the City is reimbursed for safety trainings but that can't be included in revenue gains. Mayor Gander asked about the possibility of other revenue sources or selling an asset. Mr. Murphy said that could be controversial but one thing that had been discussed by staff is changing how special events are charged for to help cover the costs of the City for the for-profit groups that put on events because that is not the current practice. Council member Riopelle said the City should be charging for snow removal.

Ms. Anderson reviewed revenue information and how some revenues come in later than expected. Discussion followed about how a new system was put in place in the Park and Recreation Department to help with the collection of fees, how some fees may need to be increased to help cover wages of the part time help in the parks department, and how some of the additional revenue was insurance proceeds from when the buildings were damaged in the wind storm. Council member DeMers asked about taxes that are recouped. Mr. Murphy said if a property goes into tax forfeiture the taxes are collected when the property is sold and it can be difficult to predict when that will happen. More discussion followed about franchise fees, how the specials on the city lots that are not sold do not affect the general fund, and staff needs direction on their budgets based on the levy that is set.

Council President Olstad asked what else could be cut besides personnel. Mr. Murphy said those cuts usually come from capital improvements. Discussion followed about how many personnel would be cut if the levy was set at 5% which would be about four positions and not filling the vacant parks admin position. Mayor Gander stated staff is doing a good job and the Council doesn't want to put people on edge with these discussions. Council member DeMers said no one had a target but when discussing budgets they need to look at all options. He added how a 5% reduction in the levy could be a 10% reduction in services so they will need to determine what level of service the City should provide. Mayor Gander said the effort should be to streamline efficiency of services and staff know where there are issues so talking to staff may help to remove some obstacles in this process.

Council President Olstad said staff will need to review their budgets and come back with options and get direction on what to remove. Mr. Murphy asked if there was a direction for the percentage for the levy, what dollar amount they will need to meet, and what the Council's priorities would be. He commented how they may need to focus on what is a need versus what is a want. Council member DeMers asked about minimum staffing requirements and if there was a different schedule that might work better for the police department to help minimize overtime. Discussion followed on what options were looked at before, how it is rare for a police department to do their own dispatching, how the City is unable to combine services with anyone in the area, to consider hiring part time police officers, and taking duties away may cause some issues with the union. Mr. Murphy said he would work with Chief Hedlund to see if a different schedule would work better and how many police departments don't hire part time positions because they can be difficult to hire and keep filled.

Mayor Gander suggested that each council member take in what has been discussed, go in with questions to Mr. Murphy and Ms. Anderson over the next week, and bring that information to the next budget discussion. Ms. Anderson reminded the Council that narratives from the department heads were handed out which explain why they are asking for increases. Council member DeMers asked when the preliminary levy was due. Ms. Anderson said it needed to be set by September 29th but the last meeting in September was on the 18th unless they hold a special meeting. Discussion followed about how the questionnaire that was included what to help get the process started, the Council wasn't going to be reviewing them, but rather to make points to help in the budget process. Council member Tweten stated the City has the highest bond rating it can have at this time which will help with future projects, infrastructure is being maintained, and these things indicate good management. Mayor Gander added he is told almost every day how beautiful the city is, people are happy to live here, and people have pride in the community which shows they are okay with paying for services.

ADJOURN:

A MOTION WAS MADE BY COUNCIL MEMBER VETTER, SECONDED BY COUNCIL MEMBER RIOPELLE, TO ADJOURN THE AUGUST 21, 2018 SPECIAL MEETING OF THE EAST GRAND FORKS, MINNESOTA CITY COUNCIL AT 7:10 P.M.

Voting Aye: Vetter, Riopelle, Tweten, Olstad, Grassel, and DeMers.

Voting Nay: None.

Absent: Pokrzywinski.

David Murphy, City Administrator/Clerk-Treasurer