

**APPROVED MINUTES
OF THE CITY
COUNCIL SPECIAL MEETING
CITY OF EAST GRAND FORKS
TUESDAY, AUGUST 20, 2019 – FOLLOWING THE COUNCIL MEETING**

CALL TO ORDER:

The Special Meeting of the East Grand Forks City Council for August 20, 2019 was called to order by Council President Olstad at 5:41 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, Dale Helms, Tim Riopelle, Tim Johnson, and Marc DeMers.

Karla Anderson, Finance Director; Nancy Ellis, City Planner; Ron Galstad, City Attorney; Paul Gorte, Economic Development Director; 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 A QUORUM:

The Council President Determined a Quorum was present.

1. Discussion on 2020 Budget.

Mr. Murphy told the Council that Ms. Anderson has done a very good job putting together the budget and talking points and turned it over to Ms. Anderson. Ms. Anderson started with reviewing the talking points that included planning for projects within the fund balance that included updates to arenas, parking lot repairs, and the upcoming federal project, which was currently listed as the round-a-bout. She stated the next item was for a bridge but the location still needed to be determined, considering an update to the assessment policy, and bringing the financial reserves to target but the target needed to be determined. She continued reviewing the rest of the talking points and the status of each. She asked if there were any questions regarding the talking points. There was none.

Ms. Anderson continued with the visioning goals, the beginning fund balance for 2018, the proposed revenue, proposed expenses, and what the estimated fund balance at the end of the year. She reviewed the breakdown of where revenues come from, the breakdown of the proposed expenses, and the listed summary of services performed by the different departments. She then reviewed the percentages each entity receives from the taxes collected which shows the City collects 43.51% of taxes collected for people living in the city limits.

Ms. Anderson told the Council there had been some updates to the information so a new summary sheet was handed out; it was based on a 5% increase, how that increase does not mean everyone's property taxes go up by 5%, and the County does expect an additional \$12 million dollars to be added to the City's tax

base. She explained the City is not on a mill system, they are just suggesting a 5% increase at this time, and usually they have waited for the truth and taxation statements to see how residents are affected by the levy increase. She said personnel costs are expected to increase 5% from 2019 to 2020. Council member DeMers asked if that was just wages. Ms. Anderson said it was salaries and benefits. Mr. Murphy added it was not a 5% levy increase; it was a 5% increase from the costs of the previous year. Ms. Anderson said at this time the proposed expenses are \$241,085 over revenues; the budget detail was attached, and asked if there were any questions.

Mr. Murphy stated he was planning to bring back the street assessment policy to the next work session because he did have the information from the cities in the region. He added that would be the time to start discussing a funding source for this. He continued saying there have been some good years of underspending, the fund balance has exceeded the requirements, and he does have some suggestions on what to do with those funds including using some of the funds on unmet capital needs starting with the highest priority. Council President Olstad asked if that meant reducing the fund balance by 2.8%. Mr. Murphy said yes. Mayor Gander asked what the surplus was from 2018. Ms. Anderson said the fund balance went up about \$500,000 and some of the reasons for that was from collecting revenue from the campground sooner than in previous years as well as receiving federal grant dollars.

Mayor Gander said there are three different directions they could take which include adding it to reserves, reducing the tax load for the next year, and the third would be to fund priorities. He explained the consensus would be no more funds are needed for the reserves; they will need to determine what should be set aside for property tax relief, and what would be used for funding projects or priorities. He asked the Council to consider what to do with the \$500,000. Council member DeMers commented how this shows a deficit and asked if this had been modified. Ms. Anderson said they are still working on getting accurate numbers; she was waiting on work orders, and the best way thing to judge this is on past years. Council member DeMers said information needed to be carried through because they are looking at \$250,000, not the \$500,000. Discussion followed about how the budget still needs to be worked through, they could use excess funds from the previous year for tax relief, and still have the fund balance within the policy requirements.

Council member DeMers asked about item 3 in the talking points and if there was a plan for the proposed street projects. Mr. Murphy said these projects are set up in a priority list, with the current policy the Council has not moved forward with this due to potential objections. Council member DeMers asked if there was any funding included in the budget for these projects. Mr. Murphy said no. Council member Vetter asked if there was debt that could be paid off with the excess funds. Ms. Anderson said the last time the City bonded we also refunded some debt but it was something she could look into for the next meeting. Discussion followed about how the special assessments are paid for by the amounts collected each year, reviewed to see if there are other debts that could be paid off, and how there looks to be a lot of capital requests coming up in 2021.

Ms. Anderson said they could look at what is coming up in the next five to ten years, review what the building maintenance funds might be used on, there are things that do come up, and repairs will be needed on the waste water building. Chief Hedlund said there are items that need to be updated in the police department and they are still waiting for some information on an update for the cells. Discussion followed about how the projects for the police department will be paid for out of the building maintenance funds not the general fund, the funds received by Altru are in a restricted grant fund, and the rescue fee is generated from the utility bills. Council member DeMers asked if there is a charge when someone calls in or are transported. Ms. Anderson said there was no charge from the City on a rescue call. Council

member DeMers asked if someone is charged a fee if they are transported. Chief Larson stated the City does not transport and for some reason if they do they would fall under Altru's insurance.

Council member DeMers stated they took in around \$210,000 in street light fees and the expenses are lower. He asked if they are saving for something. Ms. Anderson said they have been saving on the utility costs because of the lights are being replaced with more efficient lights. Council member DeMers commented that there was more in revenue being taken in than expenses. Ms. Anderson said these funds do go into the general fund, it is a set fee each month, the fee has not been adjusted, and it would be up to the Council to make a change. Council member DeMers said they might want to consider passing some of that savings along but they will also need to consider what the costs on in other years when items are being replaced. He asked about a park and recreation revenue line and asked what was included. Ms. Anderson said most of it was the revenue collected from the campground.

Mayor Gander said street replacement would have a budget impact, currently there are no citywide bonds, and the Council should be hesitant to do have citywide bonds. He said whatever they do with street replacement, they want to set a top limit of a dollar amount that can be done, and the payment should not exceed a certain percentage of the budget each year. He said they should try to find a way where the City would not have to bond for this because there is no direct funding source and to come with ideas to the work session next week. Mr. Murphy said it was not uncommon for cities to set a specific amount for completing projects, levy for it over seven to ten years, and it would depend on what the Council is comfortable with. Ms. Anderson reminded the Council the City does pay the debt service for the Water's Edge lots.

Council member DeMers said the traveling budgets were up in different departments and asked to have those trimmed back so they are closer to actuals. Ms. Anderson said she was not going to cut the travel budget for the Council without being directed by them. Council member DeMers commented how there was potential to trim \$10,000 off these budgets. Mr. Murphy said travel is hit or miss because it depends what is going on and if people are able to get away for a training. Discussion followed about what might be coming up that could require travel. Mayor Gander commented he usually does not turn in expenses but if he was required to fly somewhere then he would. Council member DeMers said he does not want departments padding their budgets with the travel budget. Mayor Gander said to leave it and the Council needs to be more active and lobby for the community.

Council member DeMers stated he noticed salaries and wages increased quite a bit, he was trying to remember the changes made and positions added, and in the last four year span it had increased by quite a bit. He said some of this is the increase in wages, some of it was adding positions, and the City is a service-oriented so salaries are a driver. He commented how there may also be padding in fuels and lubricants. Ms. Anderson said she had been trying to go with the actuals but these are volatile numbers because of not knowing what the price of gas will be. Discussion followed about how some line items have increased because they are making payments back to the central equipment fund and the \$30,000 increase for fuel since 2016. Council member DeMers told the Council they need to be cognizant when new positions are filled because of how it effects the budget in future years. Mr. Murphy added the amount used in fuels and lubricants would be higher this year because of all the snow and a lot of equipment has been run this year. Council member DeMers asked about the police admin FICA line. Ms. Anderson said that was an error in the budget, it now has been corrected, and the numbers will change again when there is new information.

Council member DeMers asked Chief Hedlund about the police computers and if they will continue with the cheaper route. Chief Hedlund said the officers would say it was a disaster and explained the issues they had with the computers. He stated they are anticipating purchasing tablets, which will be more user friendly for the officers. Council member DeMers asked about the record management software. Chief Hedlund explained there is a yearly fee for maintenance and updates, there have been issues with the system that they have worked through, but it is much better than the system they were using before.

Council member DeMers asked about the cost of the columbarium and if it was being paid for from the general fund. Ms. Anderson informed the Council the columbarium was going to be paid for out of the perpetual fund, which had around \$250,000, and the funds would be transferred out of the perpetual fund and into the general fund to cover the costs. Discussion followed about how soon another columbarium would be needed and how the costs should be covered by the perpetual fund.

Mayor Gander stated staff is looking for direction on what the Council will be willing to set the levy at and how much of the surplus they are willing to use towards this budget. He added reserves are good so they need to determine how much will be used towards the budget and what could be used for capital projects. Mr. Murphy said the most important number is what the preliminary levy would be set at because once that is set the Council cannot go higher than that, only lower. Ms. Anderson added the preliminary information is due at the end of September. Council President Olstad said if the funds are used from the previous year they are still sitting at a 5% levy increase because currently the expenses are higher. Mayor Gander said the expense numbers are still being worked out so they can still come down. Ms. Anderson told the Council the State may be giving the City more in transit funding so there is a chance those budget numbers will be reduced. Ms. Ellis said numbers are still being reviewed, the numbers should go down, but they are still working on what the numbers will be.

Council Vice-President Grassel asked about the 12 million dollars coming onto the tax rolls. Ms. Anderson stated she had been informed by Polk County that there was 12 million dollars of new property coming onto the City's tax base and the best way to see how that effects things is when truth and taxation statements come out. Mayor Gander asked if that was just in East Grand Forks. Ms. Anderson said it was just in the city. Discussion followed about how this additional property will affect the overall levy, they need to determine what amount will be used from the surplus, and it is unknown if there will be savings from the 2019 budget. Ms. Anderson asked if there were any other suggestions. Council member DeMers mentioned looking at the fees. Council member Vetter said he is always willing to look at putting the fees from the Water and Light bill back into the general fund. Council member DeMers asked about the trail maintenance fees and if the fee will match up to what is needed. Ms. Anderson said that was a project to consider including with the sales tax. Mr. Huttunen said they were looking into the costs of redoing the trails.

Mayor Gander stated the surplus amount from 2018 was \$588,000. Mr. Murphy commented how LGA did say the same so they did not have to make up the \$90,000 deficit. Ms. Anderson asked if the Council would like the department heads to make presentations, talk about changes, or about the proposed capital purchases. Council member DeMers said he likes to have a narrative to help explain the changes and used the drug task force as an example. Chief Hedlund explained how the drug task force has expanded over the years, it is paid for through grants and from the local level, and Marshall County has been an auxiliary member since the last expansion. He stated they now want to have a full time member on the task force and the grant funds are not expecting to increase until 2020 so the grant dollars will be split between eight agencies instead of seven. Discussion followed about knowing who is full time on the task force and there are monthly meetings of the task force. More discussion followed about having department heads present

the changes in their budgets to the Council and how they will focus on the general fund items first.

Mayor Gander cautioned if they used surplus to cover expenses there may need to be more of an increase the following year to make up the difference if there is no surplus. Discussion followed about what might be needed and how the budget is still be worked on and trimmed down.

ADJOURN:

A MOTION WAS MADE BY COUNCIL MEMBER HELMS, SECONDED BY COUNCIL MEMBER JOHNSON, TO ADJOURN THE AUGUST 20, 2019 SPECIAL MEETING OF THE EAST GRAND FORKS, MINNESOTA CITY COUNCIL AT 6:53 P.M.

Voting Aye: Vetter, Helms, Riopelle, Johnson, Olstad, Grassel and DeMers.

Voting Nay: None.

David Murphy, City Administrator/Clerk-Treasurer