

Nowthen City Council Budget Workshop III
Minutes
August 31, 2021

Workshop started at 6:00 pm.

Members attended: Mayor Pilon, Councilmember Alders, Councilmember Blake, Councilmember Greenberg, Councilmember Rainville

Also in attendance: City Clerk/Treasurer, Lori Streich

Discussion about zero-based budgeting and realistic budgeting. Pilon stated that Yeager's budget was projecting an increase of the 2021 budget, which is 17.5% higher than actual expenses. Compared 2021 actual budget vs. 2022 projected budget. Discussed Sheriff contract starting in July, 2022 instead of January, 2022, which would mean that half of the contract increase would become part of the 2023 budget. 2023 budget will be increased a great deal because of the bond issues, so adding half of the sheriff contract increase also will increase the levy even more. Discussion about finding a way to absorb the sheriff contract increase in the 2021 budget.

1.6 million, 10.25% added. 1,758,000 plus sheriff contract 1,871,116. \$15K unallocated contingency fund – not earmarked for anything.

Blake asked about the Public Works heavy equipment that had been put on hold. Bond funds will cover those purchases, as well as Fire department purchases and road projects. 2020 Census numbers finalized Nowthen with 4536 residents, an increase of 93 since 2010. Nowthen will stay in the small road funding category until it reaches 5,000. LGA, intended to soften the blow of levy increases, for 2021 is \$51,000 – already got the first half payment, and other half will come at the end of the year. Small city road Funds for 2021 was around \$89,000, with half received in June/July and the other half at the end of the year. Budgeted money not spent in one year rolls over into the same fund for the next year. 2021 budget has some buffer built into it. Pilon recommended taking the projected budget, adding 10.25%, incorporate the entire 2022 sheriff contract and replicating the 2021 budget. Instead of going up 21% his idea is close to the current 2021 spending. Greenberg asked if this was a simple process or complicated, and Pilon responded that he had highlighted categories that varied significantly and would need reduction. Projected Budget includes money to be set aside using Engineer Nelson's recommendations, to pay for road projects in the future so the city does not need to keep going out for bonds. Discussion about whether or not to borrow the full amount recommended or adjust down since the road projects came in lower than estimated. Discussed Ebony & Garnet road project progressing. Both road projects, Ebony & Garnet and Rogers Lake Area, are to be substantially completed by September 3, 2021. Public Works did a great job patching some areas last year, but there are many areas of just field dirt under the road bed. Extra gravel will be needed to build up road bed in those areas with no gravel.

Discussed replacement of street signs - expensive project. State mandated that City had to get them replaced within a specific time frame and this needs to be included in budget. Public Works Supervisor Glaze has inventoried and identified street signs needing replacement, and his crew has already replaced quite a few, as well as several stop signs that have been stolen. Check to see if Small Cities funding will help cover sign costs.

Discussed how much to purchase for the bond. Standard & Poor meeting with City Staff regarding bonding, getting approval for the full amount recommended, but the city may or may not actually bond for the amount approved. Clerk Streich expressed concern about using 2021 actual expenses as the basis for 2022 budgeting instead of using past years as examples, because 2021 was very odd with staffing. Staffing expenses were not considered in Pilon's highlighted expenditure items.

Greenberg asked Rainville if she had any suggestions. She questioned Election budget for 2020, stating that it is only a state-wide election and should not be as costly as a presidential election. Auditing services are going through the RFP process to find a new auditor. She liked adding the whole sheriff contract increase into the 2022 budget. She thinks there is a lack of substance in what was presented. Clerk Streich responded that if council needs more information, all they need to do is ask and she will provide it. Streich was not aware until now that they were not happy with what was given. **Discussed the difficult adjustment moving from controlling the budget process themselves as a council to instead begin in 2018 to allow a financial accounting firm to help with the budget. Council likes the control.** Clerk Streich responded that the reports look different because the financial accounting software was changed when she was hired. Ms. Yeager has worked with the City of Anoka for over 20 years, and they have always trusted her with the budget without asking for all the details. For her to come to Nowthen, it was very abnormal for her to be asked for all these details

to be shared when she's providing the budget. Streich was asked if she was able to adjust categories in the proposed budget if the Council directed her to do so, and not need Yaeger to do it. Streich responded that everything was tied into formulas, so it's not just as simple as changing a number. Any changes she would make would need to be reviewed by Ms. Yaeger. Final proposed 2022 budget needs to be approved and sent to Anoka County by September 30th. Actual 2022 Final Approved budget may come in lower than the final proposed budget, but it cannot go higher after September 30th.

\$7,500 to be transferred yearly for Turnout Gear, and \$10,000 yearly for Radios, built into the Fire Department budget. Discussed capital improvement plans and actual expenses for projects in various funds. SCORE Funds designated for projects at the Recycle Center. 2022 Grant was approved for purchasing a building for the attendant, with heat and AC. Much less dumping at the Recycle Center now that we have an attendant on duty during open hours. Discussed the new staffing metric being used by Anoka County for reimbursement allowances. Nowthen earned 28 out of 131 possible points and will get limited reimbursement for staffing recycle center, based on the various points in the new metric system. Having a new guard station on site will allow residents to pay recycling fees on site rather than having pay at the City Office. Rainville asked about the credit card system availability, and Clerk Streich responded that it is only available at the City Office.

Alders directed the council to go to page 8 and provide Clerk Streich with more input on where Council wants her to follow up. Expenditures from projected actual 2021 to budget 2022, there is a \$278,000 change, plus an additional \$95K. He wanted to make sure the changes can be explained, if more detail is needed, or if Council is comfortable with what is in place. He said he didn't need the detail if it's been the same for the past 2-3 years or only around \$1,000. Mayor/Council budget change from \$29,548 to \$31,570 and wanted to know why that is going up \$2000. Explanation was that the increase was to include training. Increase in staffing budget was due to the odd year of 2022 with team members out for various reasons, and there was a place holder in for a full-time position that did not get filled. **Action Item #1** - look at staffing needs for 2022, clarify if the budget is \$221K or \$180K.

Financial services budget increased due to bonding processes and more hours required for that. Pilon asked if the city still needed RTY services to \$15K, and Clerk Streich said no, not to that degree, so that number can be adjusted. Biggest budget impact is in the projected auditing service. Clerk Streich explained that the current auditor audits all year long. Going forward, the audits take place at the beginning of the year following the end of the audited year. 2021 audit will not be billed until 2022, so that explains the lower auditing budget actual for 2021. 2022 audit budget is set at the going rate for auditors. **Action Item #2** is to determine what Accounting budget should be for 2022.

Alders pointed out that attorney fees and budget have more than doubled from 2019 to 2021. **Action Item #3** - average 2019 & 2020 hours for civil attorney and times new rate to determine 2022 budget. General government category of Printing, Utilities and Professional Services (Newsletter, printing, communication, etc.) used to be in administration area and was moved to General Government. The Maintenance and Contract services increase includes property insurance, dues, memberships, training for Public Works, and workman's comp, and also includes Fire Department. Discussion about PZ Members per diem. Clerk will find out where the PZ per diem comes out of the budget.

Discussed Engineering budget and the note regarding increase in use for General Fund. **Action #4** – find out what the increase is for the General Fund. Clerk Streich thinks it is for the new MS4 requirements.

Sheriff Contract is not the amount it needs to be. Should be \$373,985 and not \$313,000. This increase reflects the extended service hours to be dedicated to Nowthen. Clerk Streich asked if the meeting with the sheriff will be rescheduled. Waiting to hear from Sheriff Stewart, but budgeting numbers need to be adjusted to start in January instead of July, as previously discussed.

Page 10 – Fire Management; \$276,00 should be changed to \$282,000 **Action Item #5** – find out why the increase.

Building Inspections – Budget increased \$6k for 2022 – all under printing, utilities & professional services. Pass through fees – increased because of increased development and building within the city.

Public Works Budget increased. **Action Item #6** – dig into 25% increase from 2021 projected to 2022 budget.

Farmers Market increased because of stipends added to Market Coordinators. Vendor fees cover some of the expense.

Park Areas – **Action Item #7** investigate why the increase. Greenberg asked about the capital improvements.

Page 11 – contingency is a safety net; transfers out is the money that was used last year to keep the levy down \$96,425, and was put back into revenue this year; also includes repayment of the bonding, plus interest. \$97,500 is realistic.

Action Item #8 – explanation about the transfers out.

\$10K added for Fire Management and \$60K increase in Sheriff contract. Action Items will help provide more detail for Jeff & Mary.

Page 12 – Revenues – Discussion on Tax Levy increase and rationale for the changes.

Page 17 - Recycling Fees increased \$20K enhancement grant should be removed because it is not guaranteed. If it gets approved before December final budget vote, it can be added. **Action Item #9** – remove Grant funds and see why there is an increase of \$6,000 and identify where recycling hauled item income is accounted for.

Grader Debt Service was paid off in 2021, the Improvement Debt Service for the Maintenance Building will also be paid off in 2022, and the Fire Engine Debt Service will be paid off in 2023. Funds will be rolled into new bonding payments. Special Assessments income is Road Projects assessments paid off early. **Action Item #10** – more information why the taxes are decreased. Verify the \$256K vs \$239K in bonding.

Capital Improvements – Page 19; \$100K increase for Pickle ball court, Memorial Park Improvements, disc golf improvements, and beach improvements. Funds come out of Park & Trail Fund balance invested in the community. RCA's will be forthcoming.

Greenberg asked Alders if he could interject. Pilon said that he needed to ask him instead and gave him the floor. Ad hoc committees will be put into action to get things done. If Pickle Ball is the first project, it needs to get started in January and done by March before it gets hot. Projects can be prioritized in **Action Item #11** – October Council agenda to Discuss Park Priorities.

Page 20 – Concession stand door & building improvements could be moved to Park Capital Improvement.

The well – Fire Department is looking at a State Grant to help with this; public/private partnerships will be discussed; DNR grants will be discussed. Just a place holder at this point.

\$75K Council chamber improvements was in the budget previously and should still be there. Community Development Block Grants (CDBG) may be available to help as it is a shared building with the seniors. **Action Item #12** – put this on the CC Agenda for October or November.

Action Item #13 – American Rescue Funds should be showing up as a Revenue, to be used for Roads, and check on using it for signs. Alders kept the council from wandering too far into the discussion on spelling of road signs.

Capital Repair & Maintenance Contractual – wondered if these are the funds that are being used instead of the bond funds for road improvements. **Action Item #14** – determine why this is extra; what does the \$64K cover. That has nothing to do with the bonds. Discussion about why it is in Capital instead of General fund. Depends on what is being done that determines if it is capital or general fund.

Capital Replacement – Includes the equipment items that are being included in the 2022 bonding – mower, replacement truck for Public Work, Fire Department truck and tools. All of these line items will need to come out of this budget because they will be included in the Bond. Alders asked where this needed to be added to the Agenda to get the Public Works equipment purchased. Fire Department will handle their purchases. Need to get Public Works proposal added to the Agenda for these purchases.

MS4 Pond Cleanup fund started with \$10K yearly, which will mean that ditches & culverts need to be cleaned out. Greenberg said the URRWMO wants Public Works to make a thorough inventory of the status of each culvert in the City. Rainville asked that the requirements for this report be submitted to Staff so they can do the report as requested. 2:34:24

MOTION BY RAINVILLE TO ADJOURN, ALL IN FAVOR. MOTION CARRIED. MEETING ADJOURNED AT 8:45 PM.

Respectfully Submitted by:

Lori Streich, City Clerk/Treasurer

Jeff Pilon, Mayor