

MINUTES
Nowthen City Council Workshop
July 20, 2021 @ 6:00 PM

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

Also in attendance: City Clerk, Lori Streich; RTY Financial Consultant, Lori Yager; Fire Chief, Dave Schmidt; Assistant Fire Chief, Joe Lawrence

Workshop Opened at 6:00 pm. Microphones turned on at 6:05 pm.

1. **6:00 PM:** Capital Improvement Plan

Rainville requested that if the funds dedicated for remodeling the Historic Town Hall cannot be used this year, they be used in 2022, and a concentrated effort be made to have improvements made to the inside of the building.

Blake asked about the \$80,000 dedicated for the Fire Department Well. Pilon said Chief Schmidt should have input regarding where that will fit in his schedule. The current well services the Historic Town Hall, Fire Station and Memorial Park, and is not powerful enough to fill Fire Tankers as quickly as they need. The Fire Department well needs to be a commercial well with required approval from the State of MN regarding where it hits the aquifer. New Tanker Tender Truck will not be in service for 12-18 months from time of ordering, according to Chief Schmidt. Discussion about the Fire Department well as the next priority for Chief Schmidt, possibility of partnering with farmers in the area. Leave the \$80,000 as currently designated.

Pilon asked if unused funds in an account would roll over to the next year's budget. Consultant Yager responded that yes, they could be rolled over. Typically, if a project does not get done in one year, the funds will roll over to the next year unless something drastic happens to make those funds unneeded. If it's a goal of the Council's, the funds would roll over to the next year.

Discussed Interest rates being very low.

Park Capital Improvement Fund – Greenberg asked about the \$50,000 designated for the Memorial Park; Clerk Streich explained that she wants to make the Memorial area nice, new plants, nice monument, etc. Park Dedication Funds are from developers and can be used for the Memorial area. Greenberg requested to earmark funds for pickleball at Nowthen Memorial Park, on the basketball court area. Discussed adding two (2) pickleball courts and leaving the basketball court as it is or starting with one pickleball court first, in conjunction with the basketball court, and see what interest there is before making two of them. Greenberg also would like to fix up the disc golf course. He would like to earmark another \$50K for these Park projects. Discussed upgrading and improving existing buildings and shelters, BBQ grills, Concession stand area at Nowthen Pavilion, condition of lake shore & vegetation encroaching the swim beach area, widening the beach area, condition of the sand.

Consultant Yager summarized what she was hearing from the Council and will incorporate this into the budget process. She will be rolling over the well and building improvements and will add the following items:

Park Fund: a pickleball court, fix up the BBQ grills, beach improvements

Capital Fund: Concession stand improvements, Pavilions & shelter improvements

Sand may come out of the Park Fund or possibly the General Fund as part of maintenance budget

Alders said that if the Recycling Center plan is to keep an attendant on duty, something will be needed for winter. The baler room is insulated. Clerk Streich asked Alders about a building outside that he had mentioned previously. He responded that it was a one-person, four-season shelter for checking people in and out of an area (like Menards) and is air-conditioned and heated and about the size of a phone booth. It could also work for receiving fees for recycling items, as residents will see that the Center is manned, and someone is there.

Suggestions made to add additional playground equipment, including something for seniors to use to encourage movement. Discussed both park playgrounds. Yager said it depends on the cost of playground equipment, so would like

to do research on cost, used equipment, MN Twins grant possibilities. Discussed potential park development fees and concept plans coming in to the Council for upcoming approval.

Chief Schmidt present; discussed Fire Department budgeting for the well. Asked if the Capital Fund was rolled over year to year, and incrementally increased to cover expenses, or if the budgeted amount was for this year and that was the expected expenditure. Yager explained that the amount that is budgeted is just a plan and is rolled over from year to year. If an item is in the budget, it got there because it is needed in the first place. For example, the lawnmower and the Sterling Truck are in the budget because they need to be replaced eventually. Need to determine when it is needed. Discussed budgeting process in Nowthen – if it is there and not used, it's rolled over to the next year unless the item is no longer needed. Larger items are budgeted yearly to save up over the long term, so the City doesn't have to borrow money to purchase them. Schmidt would like to keep the \$80,000 as budgeted for the well with the intent to get it done yet in 2021. Discussed fire equipment purchases, truck purchase and bonding requirement for items purchased to last 10 years. Schmidt would like funds contributed yearly to the Capital Fund for Fire Department purchases, to help become predictable for tax levy planning and administration, and also to prevent the possibility of getting caught at a zero balance if equipment fails. Currently addressing urgent needs for the transition, and long-term planning has not been discussed yet. Operating budget and Capital Plan – identifying fleet issues, life cycle, replacement cost; SCBA equipment needs – Schmidt's rough estimate is a starting place of \$90K-\$95K yearly to set aside for Fire Capital purchases, setting funds aside incrementally for those purchases that will be needed. He will refine his Capital budgeting plan. Schmidt said he was communicating with Pilon regarding his operating budget but was told not to do that.

Consultant Yager explained how the budget process is supposed to work – staff puts together a budget and presents it to the Council as a whole at a public meeting. The interim budgets and discussions involved in preparing that budget for presentation to the full Council are fluid and stay at the staff level until ready to present, instead of sending ideas to one councilmember individually for comment. Yager had requested Schmidt not to forward interim budgets to the mayor, because it complicates and drags out the process unnecessarily. She doesn't need to comment regarding every change made before the budget is ready to present to the full council. Consultant Yager has a 25-year Improvement Plan, which includes Fire Equipment and transfers from the General Fund. The ultimate goal is to have an established equipment plan so the Fire Department will have funds available in the future, balances of around \$50 million, sitting in a Fund ready to purchase equipment without bonding for it. Incremental increases to Capital Funds implement that without making great impact on taxpayers with an increase in the levy. Most cities do this kind of planning, and that is how it is done. Clerk Streich said historically the City of Nowthen has bonded for needed large purchases, but having Consultant Yager's seasoned experience with this is a very valuable asset to the City and to Streich in directing the City down this path instead of borrowing money and bonding all the time.

Chief Schmidt said he would determine the expected life cycle and anticipated replacement costs for Fire Department assets. CARES money availability has jacked up the cost of things. Alders commented that the current situation is a bit of a "double dip," as the City is buying a brand new Fire Tanker/Tender and then anticipating the life cycle of that brand new truck. Part of the contract with St Francis Fire Department was that Chief Schmidt would develop a budget that will fit in the proposed City Budget presented by Staff. Discussion about specific items included that can now be removed as approved and/or purchased already, and Yager said that discussion about these types of details should be limited to staff and consultant in an effort to get the numbers accurate to present to Council. Council should not need to focus on these details. Yager requested Council focus on 2022 because it is so late in the budget process. Chief Schmidt, Consultant Yager and Clerk Streich need to work together on specific items on the Fire Department List and funding for them. Yager has a list of equipment on the 25-year plan, not all items are included in the 5-year plan that was in front of the Council at this meeting. It would be well worth the time to work together and get the 2022 equipment right, and then she can change the document going forward. It is not a good use of time to try to do that at this meeting.

The \$125,000 allocated for the tanker stayed in the Fund because the Tanker was not done, and now the tanker cost is \$550,000 instead of \$125,000 as originally planned. Discussed equipment details purchased, needed purchases, potential grant availability. Yager said the former practice of allocating \$2500 yearly just for turnout gear has been changed to contribute \$72,500 into the equipment fund. Part of the discussion that Chief Schmidt and Yager/Streich need to have is to determine which equipment needs to be purchased annually, and what needs to be budgeted in the 5 to 25 year plan. That \$72,500 is projected to be increased \$20,000 yearly, until it is \$195,000 a year that will be put into the equipment Fund in order to replace all of the equipment in the future. Part of the equipment is turnout gear.

Yager is concerned that the \$600,000 bond may not be enough to cover the items being discussed for purchase now. Chief Schmidt said that very early estimates for the Tanker purchase are under \$500,000, which would allow flexibility for purchasing the other items needed that are being discussed. Yager said that as long as the equipment purchased with the

bond has a 10-year life expectancy those bond funds can be used legally. The Bond Request is being submitted as a flexible equipment replacement bond. If the funds are not spent on the Fire Equipment, then whatever is left of the \$600,000 bond can be used to purchase other equipment needs within the City – Toro lawnmower, Public Works truck, etc. The only requirement to use the equipment funds is that each item needs to have at least 10 years of life, and the City has three (3) years to spend the money.

Yager's Financial Plan is to for the City to pay the \$60,000 annual payment/debt out of the Equipment Fund, so the City does not need to levy anything in addition to pay the debt. If handled correctly, it should not impact taxpayers. The Professional Service line item is a cost that needs to be paid no matter what bond it is allocated for within the budget. The \$600,000 bond will be part of the \$2.575 million bond for the Road Improvements. Ehlers will be presenting the bond discussion to the Council. Chief Schmidt asked at what point the contract for purchasing the truck can be executed, and Yager replied that he should be able to do that in September after the bond issues have been approved for sale. Contract will be sent to Council for approval before it is executed.

Alders asked if bonding \$620,000 would cover the replacement of the 2001 snowplow truck as well. Yager replied that it could be part of that bond. Discussed interest rates and cash balance. Yager highly recommended adding the snowplow truck into the equipment bond purchased this year. Instead of \$600,000 it could be increased to \$800,000 or \$850,000. The total bond would be \$2,850,000 to cover 2020 and 2021 Road Improvements and Equipment purchases.

Staff has asked to meet with Engineer Nelson regarding upcoming road project needs for the budget. He didn't anticipate a need for a huge project like the current year, but he thought \$900,000 was a good ballpark number to start. He is gathering information and better numbers, but the numbers in the budget at this time are ballpark numbers.

Rainville requested to start budget talks in April. Yager said her report was prepared in April/May, and she did request to meet with Council, but agendas didn't allow it. She explained that generally, a normal budget calendar starts with Capital Planning in April/May. Administrative Staff meet with Department Heads to discuss needs and planning regarding Capital Planning and budget impact. Budget presentation to the Council does not generally happen until August, but Yager requested to meet earlier (July 20) because she is going out of the country. Pilon asked when Council input happened regarding their goals. Response was at the Capital Planning meeting in August. Generally speaking, operational budgets don't change much from year to year, unless more staff needs to be hired. If Department Heads need to request a bigger item, a "big picture" thing, they get discussed at the Staff level in May and then get incorporated into the August discussion with Council. Then the budget numbers get reworked, and staff would present the new budget in September with the Levy for Council approval. Generally speaking, Council has a large input into the capital spending, big equipment, etc., but general operations don't change much from year to year. This year the Sheriff contract is a significant change, and will impact the budget significantly.

Yager will meet with Chief Schmidt to assure the Capital that will go into his budget. Council will meet again to review it after adjustments are made. In September the preliminary levy will come for approval along with the adjusted budget numbers. Yager requested to move on to the Budget Planning.

Questions about Road Improvement estimates that had been presented. Yager said this is only a planning document, based on the information she has, and she makes estimates from that. The numbers presented are based on history, the knowledge and experience that she has, and her predictions for the next 5 years. They are not fixed in stone, but the estimates help in planning for the future, levy impacts, etc. Interest rates are very low at this time, but the interest earnings she included in her planning document were based on interest earnings on the fund balance in the City's road improvement fund – 1% based on what the cash balance will be at the end of 2021.

MS4 Regulations regarding pond cleanup will require cities to dig up, remove and haul to IL contaminated pond materials. Cities need to plan ahead and include in their budgets funds to use for this future expense and requirement. Ditches will also need to be cleaned out and maintained. Suggested to include in the budget MS4 Fund for pond cleanup and the road plan needs to include reviewing ditches and culverts.

Park Dedication Fees should significantly increase in the next year, due to the increased development in the City.

Discussed issues with well at Historic Town Hall. Mork Well is planning to come inspect in August and will determine the status and make recommendations at that time.

2. **7:30 PM:** Budget Planning

Page 6 – This page presents things that have changed from the previous year.

In 2022, the City will not be getting any Fire Aid. City will be joining the PERA, and State of MN sends money directly to PERA for Nowthen Fire Fighters. There may be a portion that the City is required to pay to get to the right amount, which has been taken into consideration in the budget presented. Between Ramsey Fire and the State Legislature, negotiations were made that Nowthen Fire Firefighters would qualify for 2021 state aid, payable in October, 2022. Asst Chief Lawrence explained that the state aid would go directly to PERA for the purpose of Fire Fighter Retirement, not passing through city funds. Yager explained that if the state aid falls short of what the fire fighter pension should be, the City will be required to pay to get it to the right amount, and that amount is unknown at this time. Chief Schmidt said they have done some calculations and are comfortable with the City's contribution at \$500 per Fire Fighter, which is included in the budget.

Page 10 – actual fire budget; Projections based on historical information regarding fire department expenses. PERA pension contribution was removed, training pay, and salaries were combined into one line item. Discussed certification requirements and fees increasing with new fire fighters hired. JPA fees increase yearly. Payroll is generally projected higher than actual, as it may be necessary based on call volume. Discussed billing residents for fire service calls to get some of the insurance claim money for the fire department, physical testing and drug screening.

Page 2 – Synopsis of total General Fund changes.

Revenue side and Expenditures side both going up the same amount \$221,580. The Grader bond will mature next month, and the payment amounts will continue to go into the Equipment Fund. The increase in the Sheriff Department Operational budget will have impact on the operational budget this year. Recommended adding the Public Works truck to the equipment bond because interest rates are so low. In 2021, the City budgeted to use Fund Balance of \$96,425. That has now been rolled into the Levy so no Fund Balance will be used. Biggest increase is the law enforcement (LE) contract going up 44% (\$114,000 increase). Discussed LE contract option to start mid-year, so increase is spread over 2 budget years and state aid would help the 1st year. Contract includes coverage for 12 hours daily, which allows more proactive time for sheriffs. Adjusting budget numbers based on the mid-year plan would reduce the levy substantially, from a 7.62% increase to only 3.98% increase. Discussed allowing the on-duty sheriff access to the fire station to park his vehicle and use the new office to do paperwork during the 12 hours on duty. 2022 Levy increase projected to be 9% based on 2020 & 2021 Road Improvements - debt service increased from \$81,000 to \$192,800, including the payoffs for both 2021 and 2022. 2023 numbers may be adjusted based on prepaid assessments that come in this year. Vehicle purchases will be wrapped into the General Debt levy for 2023, as the General Fund budget is covering the initial cost. The actual tax capacity has consistently gone down, because property values are going up within the City (see page 19 of packet).

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Council Salary – Category for Maintenance and Contract Services is a budget category for training and travel. Office & Administration – budgeted for adding full time position, but City Clerk decided to go with part-time for 2022. Staff health plans have changed and will be saving money for the City and for the staff. 2022 Election budget discussed; possible need to raise election judge wages; potential help in the office for early voting. Finance & Assessing – Accounting increase \$1100 – based on historical use; adjusted accordingly. Audit Fees projected to decrease because Staff will be going out for RFP for auditing services; auditing generally starts January 1 after year-end is complete, so auditing fees won't kick in until 2022 budget. Council will review RFPs that are submitted.

Assessing services projected to be \$26,000. Discussed reviewing contract for current assessors, rates, duties, etc. Alders asked why legal fees are double what was projected for the 2021 budget. Yager responded that it was based on the Civil Attorney actual time billed for calls and professional information. Legal fees related to road projects are billed to the Road Fund. The budget numbers presented do not include road issues. Discussed reasons for attorney fees being so high. Attorney invoices are sent out to council each month for review. Blake asked about the procedure for council asking questions directly from attorney. Clerk Streich responded that the council generally directs staff to contact the attorney with questions and then she provides all of the information to the whole council. Rainville said that if the Council has directed a councilmember to contact the attorney regarding a specific item, then that individual has the authority to contact the attorney directly. Blake asked regarding those situations if the council member is to bring back the information to the full council, and Rainville said that has never been a task that's been assigned. Yager will adjust down the attorney budget, considering the 2021 increase may have been inflated due to the addition of the Nowthen Fire Department. Adjustment taking \$6,000 from Administrative and adding it to General Government for Newsletter and printing. Other increases in property insurance and workers' compensation premium increases. Maintenance training transferred to General Government instead of Public Works budget. Engineering budget adjustments do not include road improvement costs. Building Official budget adjusted based on increased construction and need for inspection trips. Budget Expense line item and Revenue line item for Building Official generally offset each

other. Rainville asked about getting a report that showed how much the city absorbs and how much the residents pay as they use the contractors, and Yager responded that this was a lot of work, very detailed, and it would cost the city too much money for her to create that report, especially considering individual contractor invoices.

Public Works budget projected increase – salary increase included; COLA increase possible; increase in materials and supplies, maintenance and contract services. Discussed what is included and the variation in actual costs over the past 5 years. Farmers Market income varies – budgeted within permit revenues.

Upper Rum River Water Management budget numbers unknown. \$10,000 seems to be a reasonable budget. Discussed what this money pays for and how it benefits Nowthen residents. Cannot opt out of the organization.

Parks budget projections discussed – might be lower than actual; repair and maintenance costs have been lower this year, but need to budget for potential repairs. Gravel costs now paid for out of Public Works instead of Parks.

Page 11 – numbers show that the City is currently way under budget; means that some projects may not have started yet, etc. Full-time Admin staff position was not filled; staffing costs down in 2021 for various reasons. May want to consider some transfers or adjustments.

Page 12 – synopsis of all the changes to General Fund categories; based on history.

Recycling Fund Discussion

Page 13 – Possibly building shed for attendant – Clerk Streich suggested this is a project opportunity to apply for County SCORE Grant Funds. Recycling Revenue increases due to fee increases and residents using time at home to clean up. Discussed advantages of having Recycle Center staffed; items being paid for more consistently. Still cleaning up things dumped in ditches, etc.

Adjustments as discussed will be made to the Park Improvements, Building Improvements, Equipment, and Road Budgets. Levy will be reduced from 7.62% to 3.98% increase; discussed potential opportunity to reduce Levy further. 2023 Levy increases could potentially be offset by excess fund balances.

Greenberg asked the amount in the Park Budget Yager responded that at the end of 2020 it was \$218,000, and in 2021 it should be \$255,000 after Park Development fees are received.

All the City moneys are invested in CDs and money market funds through the 4MFund. Blake asked why the question about fixing up the park buildings if the money is there. Discussed improving trails and approved projects.

Yager will implement changes and get the budget back to Council. Council will adopt a Resolution to Adopt the Preliminary Budget on September 14th. Suggested having another budget workshop on September 7th to rehash the budget after they have had a month to review adjustments. Notices for Public Hearings to adopt budget resolution will be handled by City Staff.

CAPITAL IMPROVEMENT AND BUDGET WORKSHOP CLOSED at 10:00 PM.

Respectfully Submitted,

Lori Streich, City Clerk/Treasurer

Jeff Pilon, Mayor