

0004 Mayor Barbara Larsen called the workshop meeting to order at 7:02 p.m. The following were present: Councilmembers Bean, Yund, Marcil and Smith. Staff included Public Works Director David Vorse, Chief Bob Heuer, Sergeant Scott Neves, Officer Branden McNew and Clerk-Treasurer Ryana Covington. Members of the public included: Mike Mask and Mr. and Mrs. Jack Riley

0046 Covington distributed a summary of requested increases affecting General Fund expenditures, which totaled \$170,481.00 and a summary of the total expense impacts, which included mandatory wage and benefit costs.

The estimated revenues for 2008 equal \$1,303,780, with projected expenses being \$1,532,693; a deficit of \$228,913. This deficit includes budgeting for an ending fund balance of \$135,000 as directed by council at an earlier meeting.

Covington stated she has been monitoring revenues and feels it would be appropriate to increase the projected beginning fund balance an additional \$80,000, which would still leave a deficit of \$148,913. She cautioned that evaluation of beginning fund balance estimates is contingent on expense projections and emergency expenditures could adversely impact projections.

0507 Councilmembers reviewed proposed projects as outlined by staff. Covington stated she did not include training travel expenses on this list. Councilmembers concurred they considered travel expenses to be an operating expense (to allow for ongoing certifications, etc) and not subject for this review.

Covington also stated AWC RMSA has advised that there will not be an increase in the city's liability insurance cost; and the budget has been adjusted to reflect this.

0938 Yund noted that the city will only be getting an additional \$2698 for property taxes because of the State's 1% tax limitation initiative. Bean added this levy cap does not even keep up with cost of living increases for employees, not to mention operating increases for fuel, utilities and inflation. Yund said that the taxpayers voted in the initiative to keep taxes from increasing, however reassessments of property values still increase taxpayer costs, even though the city does not benefit. If this continues, there will come a time when services will need to be reevaluated.

1256 Covington stated that repairs to the RV disposal will be completed this year, to avoid a health hazard situation.

1320 In answer to Smith's question, Vorse stated the real estate excise tax currently is

slated for a street project, however this revenue source can be included in other funds. Marcil stated he did not want to eliminate the crack seal project on Huntington Avenue South because lack of maintenance will create a larger problem, requiring greater funding to repair.

Marcil suggested eliminating the following projects from the 2008 budget proposal: \$25,000 for data processing software to update the budgetary processes to Windows based (from DOS), \$8,000 to chip seal the gravel streets, \$42,000 Phase II downtown parking improvements; \$10,000 Phase III entry feature

Chief Heuer suggested to not fund the vehicle replacement, in the amount of \$15,000.

Vorse stated the public works department is not able to crack seal the concrete portion of Huntington Avenue South because they do not have adequate equipment. However his department could crack seal the asphalt portion of the roadway, which would provide a cost savings of \$3,000 for that project. If a contractor did the work, it would cost \$4895 for the asphalt section, not including tax and approximately \$7100 to do the concrete section. In answer to Mask's question, Vorse explained the process to crack seal the concrete sections.

In answer to Councilmember Smith's question, Covington stated that the city attorney did not request an increase in his contract, however there has not been an increase over the past few years. Councilmembers agreed to leave the increase, as proposed.

Councilmembers discussed the proposed upgrade to the phone system. By consensus, it was agreed that recent this equipment failure warrants this purchase.

In answer to Yund's question, Vorse stated he has not researched the 'Crime Stoppers' program, available through the county. The \$1500 proposed for the Park Department is intended for signage and a reward system for reporting vandalism.

In answer to Mask's question, Vorse stated he has not contacted the city's insurance carrier regarding the vandalized street lights along the Riverfront Trail.

Yund felt it would be better to use an existing process, such as Crime Stoppers rather than developing our own system. Neves explained the elements of the county Crime Stopper program.

In answer to Marcil's question, Covington stated if the council provided for the development of an archive storage area in the south end of the concrete building currently housing the police evidence room, she would need shelving and some type of heat source to protect records. Shelving would need to be of industrial strength to support heavy boxes. Yund stated the room could accommodate three

shelving sections of 12' to 15' long. Vorse explained the electrical capabilities in that building and Yund stated that an industrial heater would need to be installed to eliminate dampness in the building.

Councilmembers summarized eliminating the following items from the 2008 proposed budget:

- \$15,000 for the police vehicle lease
 - \$25,000 for the budgetary data processing software
 - \$8,000 for chip seal of gravel streets
 - \$42,000 Phase II roadside development – downtown parking
 - \$10,000 Phase III roadside development – entry feature
- \$100,000 total

Vorse stated elimination of the reward program would save an additional \$1500.

In answer to Marcil's question, Bean stated that Public Works employees will be getting a 2.43% increase in accordance with their collective bargaining agreement (CBA). Per CBA, Clerical employees will receive a 4.43% increase, which includes a market adjustment and police employees will receive a 4% increase.

In answer to Smith's question, Vorse stated the building maintenance budgetary request of \$10,000 does not have a specific project identified. However, recommended projects include reroofing the main City Hall structure and exterior painting at City Hall.

Councilmembers discussed reducing the Huntington Avenue South crack seal project by \$3,000. This would require public works personnel to do the asphalt work.

Smith recommended reducing the building maintenance to \$5,000. He noted this would provide enough funding to complete the exterior paint project.

- 3904 Councilmembers discussed the proposed supervisory COLA increase of 4%. Yund and Smith recommended that this amount not be reduced. They noted there was a very small amount of savings between the 2.43% and the 4% COLA and they felt staff salaries need to keep up with other classification increases.
- 4128 Yund suggested the beginning fund balance be increased an additional \$32,000 to allow for a street project to be completed, if revenues are received. If revenues are not realized, the street project would not proceed.
- 4348 In answer to Yund's question, Covington stated the city would know the actual beginning fund balance by mid-January. Yund suggested the police vehicle lease be retained in the General Fund and the beginning fund balance be increased an

additional \$15,000 – to a total of \$515,000. If funds are not realized, the project would be eliminated.

In answer to Marcil's question, Heuer stated he does not have adequate funding in the Local Criminal Justice Fund to include lease expenses for a new vehicle.

By consensus, Councilmembers made the following amendments to the General Fund 2008 proposed budget:

- * Increase the General Fund beginning fund revenue projections to \$515,000
- * Reduce building maintenance allocations to \$5,000 (General Fund)
- * Eliminate \$1500 for the reward program (Park Fund)
- * Eliminate \$25,000 for the computer software upgrade (General Fund)
- * Eliminate \$8,000 to chip seal gravel streets
- * Eliminate \$42,000 for Phase II downtown parking improvements
- * Eliminate \$10,000 for Phase III entry feature project
- * Reduce \$3,000 from the Huntington Avenue South crack seal project. City personnel will be used to complete the asphalt section of this project.
- * Retain the proposed street project and the police vehicle lease in the 2008 budget and if the projected beginning fund balance is not realized, these projects will be eliminated.

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4947 Stormwater Fund – Covington stated annual revenues are approximately \$40,000. Proposed expenses for 2008 total \$86,975.

Covington distributed a summary showing current stormwater rates and impacts to those rates for increases of 25%, 50% and 75%. Vorse noted that stormwater rates will need to be increased to fund project requirements to retain the city's flood protection level.

5254 Vorse stated projects include tree removal along the levee (\$10,000), levee certification (\$20,000) and Lions Pride Park erosion mitigation (\$25,000). He stated that the North Street Stormwater Phase IV project has already been eliminated from the proposed projects for 2008 fiscal year.

Vorse stated councilmembers had denoted the levee certification and tree removal as the highest priorities. If the Lion's Pride Park mitigation project were also removed from the 2008 budget, the deficit would be reduced further.

Vorse suggested appropriating funding to complete the levee certification and remove a portion of the trees along the levee. If the projects could be reduced by \$10,000, an increase of 25% would be appropriate.

In answer to Mask's question, Vorse stated he intended to use county jail crews to

remove the trees. This is the least expensive labor force. Mask suggested the use of volunteer forces, if the city's liability insurance carrier will allow. Vorse stated the county jail crew is fully insured and have the equipment to do the work.

Mask spoke in favor of increasing the stormwater fee to meet the demands of these projects. Bean spoke in favor of increasing the fee by 50% to allow for adequate funding to meet emergency situations.

Councilmembers agreed to trim expenses to meet the lesser percentage, however to increase the fee 50% of the current rate. This will eventually create reserve funds for emergency repairs. Mask stated the city could always consider a decrease in future years.

In answer to Mask's question, Vorse explained that stormwater fees are based on the amount of impervious surfaces. Mask asked if businesses could be exempt from the increase. Yund stated that eliminating the cost share would place an unfair burden on residents.

Councilmembers discussed the impact on commercial customers if the fee were increased by 50%.

By consensus, councilmembers directed the clerk to amend the rates by increasing the current rate an additional 50%. This would bring the residential rate from \$2.50/month to \$3.75/month.

6359 Vorse summarized as follows:

- Fund the certification of the levee, using the Army Corps of Engineer
- Removal of only those trees required by the regulatory agencies. The remaining tree removal project will be phased in subsequent years.
- Delete funding for mitigation of Lion's Pride Park damage

6410 If council is concerned with mitigation of Lion's Pride Park storm damage, Vorse suggested the city could fund the engineering at a cost of \$5,000. This would allow the engineer to complete the shorelines environmental permitting process. Bean voiced concern that if the city expends funds to fill the hole and does not have adequate funds to allow proper repair of the damage (as recommended by the city engineer), then it would be wasted efforts. She noted that the underlying problem would still exist and subsequent high water would wash out any efforts the city had attempted.

By consensus, councilmembers agreed to include \$5,000 in the budget for engineering costs at Lion's Pride Park, however the project would be 'on hold' until adequate funds are available.

6730 Mask suggested the fee be increased to 55% to allow completion of the project. Vorse stated the 50% increase would provide the needed revenue, however the

city would need to wait until the accumulation is reached. Mask stated if the Corps of Engineer require total removal of the trees, it would be prudent to increase 55% to allow for the additional revenue. In answer to Mask, Covington stated that an increase of 55% would be \$3.88/month for residential customers.

Smith stated the Corps of Engineer will allow the city time to remove the trees and Vorse noted that the levee certification is a cost that the city will need to plan for every ten years. In answer to Marcil's question, Vorse stated that the Corps of Engineer conducts an annual inspection, at not charge to the city.

- 7130 Councilmembers reviewed the Water – Sewer Fund. Covington stated she has amended sewer serve charge revenues an additional \$30,000. In addition, the beginning fund balance has been amended to reflect current financial information.

The water service projected revenues still includes a 7% increase in rates, however Covington continues to work on an amended rate structure, as requested by the council at an earlier workshop meeting.

Covington stated the budget presented includes revenue projections of \$1,373,200 and expenditure requests of \$1,399,459; a deficit of \$26,259. This would leave an ending fund balance of only \$20,000 in the Water Fund and \$20,000 in the Sewer Fund. Covington stated these projected ending fund balances will be inadequate to fund any emergency expenses or repairs.

Covington outlined projected revenues based on a percentage increase of water and sewer rates as follows:

10% = \$29,600 (additional 3% water and 10% sewer)
13% = \$59,570 (additional 6% water and 13% sewer).

For clarification, water increases would be in addition to the 7% already included in estimated 2008 revenue projections, for a total of 10%, or 13% as recommended by councilmembers.

- 7802 In answer to Marcil's question, Covington stated she is still attempting to schedule a meeting with the Regional Utility Board to review those budgets prior to council's first reading of the budget.
- 7850 Yund advised that he would not be opposed to the higher percentage rate, to allow for a more adequate reserve. He still favors a sliding scale type of rate structure, based on usage. Covington distributed a summary showing the average number of customers for each 100 cubic feet of usage. The majority use less than 1000 cubic feet of services each month.
- 8231 Covington explained the rate structure currently being developed. In the proposed rate structure, the 'base fee' will generate enough revenues to fund basic O&M costs. The cubic feet charge will generate revenues to fund the cost of services

paid to the regional utility funds. By developing such a rate structure, the city can more effectively explain to customers the reason for any rate increases. As an example, if O&M costs increase, the 'base fee' will need to be increased to meet those demands. In addition, the rate structure would represent costs for each utility service. In the past, sewer charges have not been adequate enough to fund sewer O&M needs and water revenues have supplanted those deficits. Covington provided a detailed explanation of the proposed rate structure. Vorse stated the proposed structure would create a higher cost for large utility consumers and some customers may even see increases exceeding 30%. Yund stated his goal is to lessen the impacts for consumers using the least amount of services.

Vorse stated the proposed new rate structure does not include a sliding scale, based on usage, as Yund had recommended. Yund's request included separate scales for higher use customers. The proposed rate structure charges each customer the same amount per 100 cubic feet of usage. In addition, the rate structure for sewer services would still be based on water use consumption.

8517 Vorse noted that in coming years, the State may require cities to impose rate structures that would encourage conservation of water. State mandates from the Water Efficiency Rule, will be requiring cities to obtain a 10% water loss by year 2011.

8805 Yund stated he feels the proposed rate structure is moving in the right direction, but in the future, he still supports a sliding scale type structure. By consensus, councilmembers also stated they would like to promote water conservation and for this reason, the new rate structure would not include any separate summer sprinkling rate allowance.

8917 In answer to Mask's question, Vorse stated a 13% increase in water and sewer rates would equate to a \$10/month increase, not including tax and stormwater fees.

9134 In answer to Marcil's question, Covington stated that no rate increases are proposed from the Regional Utility Board. In addition, the board will be reviewing the possibility of paying off some of the loan debt.

9354 In answer to Mask's question, Covington stated even with the 13% rate increase, the city would still be using a portion of the beginning fund balance toward 2008 expenses. The city also used a portion of the fund balance in this current fiscal year.

Vorse suggested that if the \$10,000 is spent on the billing system in 2008, then the same amount can be allocated in 2009 for meter upgrades.

9831 Mask stated he would support a 13% increase in utility rates to cover the budget deficit. Bean reminded him that if the city adopts a new rate structure, some

customers may have much higher increases in their rates.

Covington asked if council wants to impose a blanket percentage increase, using the current rate structure or do they want to modify the rate structure as described above?

By consensus, councilmembers favored the amended rate structure.

Mayor Larsen adjourned the meeting at 8:30 p.m.

Mayor Barbara Larsen

Clerk-Treasurer