

BUDGET WORKSHOP
CITY OF CROSSLAKE
THURSDAY, AUGUST 6, 2015
2:00 P.M. – CITY HALL

The Council for the City of Crosslake held a budget workshop on July 16, 2015. The following Council Members were present: Steve Roe, Mark Wessels, Gary Heacox, and Dave Schrupp. Brad Nelson was absent. Also present were City Administrator/Consultant Dan Vogt, City Clerk Char Nelson, Finance Director/Treasurer Mike Lyonais, Public Works Director Ted Strand, Police Chief Bob Hartman, Park Director Jon Henke, EDA President Patty Norgaard and David Drown of David Drown Associates, Inc.

Mayor Roe called the meeting to order at 2:00 P.M.

MOTION 08S1-01-15 WAS MADE BY MARK WESSELS AND SECONDED BY DAVE SCHRUPP TO APPROVE THE FOLLOWING DATES AND TIMES FOR LEVY HEARINGS AND CERTIFICATIONS: 1.) CERTIFY PRELIMINARY LEVY ON SEPTEMBER 14, 2015 AT REGULAR COUNCIL MEETING AT 7:00 P.M.; 2.) PUBLIC INFORMATION MEETING TO TAKE COMMENTS FROM THE PUBLIC ON BUDGET AND LEVY ON DECEMBER 14, 2015 AT 6:00 P.M.; 3.) CERTIFY FINAL LEVY ON DECEMBER 14, 2015 AT REGULAR COUNCIL MEETING AT 7:00 P.M. MOTION CARRIED WITH ALL AYES.

David Drown appeared before the Council and gave an update on capital planning and funding. Mr. Drown stated that the Council should include regular road maintenance costs, routine repairs, minor equipment and replacement vehicles in the yearly budgets and should avoid financing for such items. Mr. Drown presented a 5-Year Capital Plan Summary showing revenue sources for proposed projects compared to proposed capital expenses. The yearly average for proposed capital expenditures in the next 5 years is approximately \$1,500,000. If the Council chooses to not increase the levy for capital expenditures, new debt will be necessary and the City loses its ability to pay cash for any future projects. Mr. Drown presented examples of how an increase of \$150,000, \$200,000 or \$300,000 to the capital improvement plan levy could make an impact on cash purchases verses bonding. Mr. Drown encouraged the Council to consider adopting a Financial Planning and Capital Funding Policy which would prevent unwelcome surprises to capital expense budget. The City's goal should be to pay 80% of its projects with cash and 20% with bonds. Although future Councils could change or eliminate the policy, it is important for the present Council and staff to respect the policy.

Dan Vogt stated that the policy would be a plan and that plans are changeable. If capital needs change, the policy can change. The Council could reduce or eliminate projects so that the impact on the levy is smaller. Mark Wessels stated that he liked the concept, however, the dollar amount was high and asked if some projects could be spread out over time. Steve Roe agreed with Mr. Wessels and asked if, for example, it was necessary to widen the roads as they as repaired. Ted Strand responded that the current roads are not built for the volume of traffic that is on them and that many roads require a new base.

A discussion ensued regarding the impact to individual property tax amounts if the Council were to increase the levy by \$300,000. For a home valued at \$300,000, the tax increase would be approximately \$300 per year. Steve Roe asked Mr. Drown if it would be better to phase the increase in or to do it all at once. Mr. Drown replied that in his experience, tax payers will be less angry if the increase only happens one time.

Dave Schrupp suggested that the Council consider changing the road improvement policy so that roads are not required to be widened which would slow drivers down and decrease cost of road improvements. Ted Strand argued that widened roads allow for less storm damage in the roads. Mark Wessels suggested that the City do more repairing of roads than replacing. Ted Strand stated that there are a few very old roads that need to be completely redone, including a new base. Newer roads built in the last 20 years can be patched.

Ted Strand suggested that the Council consider hiring a new City Engineer.

Although the Council is considering changes to the 2016 budget, Dan Vogt reported that the levy could be set high and then reduced before the final certification in December. Gary Heacox noted that the levy needs to increase at least 10% to cover the elimination in revenue from the phone company transfer. Proposed capital expenditures could raise the levy to 20%.

MOTION 081S-02-15 WAS MADE BY DAVE SCHRUPP AND SECONDED BY MARK WESSELS TO ASK WSN TO PROVIDE THE COUNCIL NEW COSTS TO THE 5-YEAR CAPITAL IMPROVEMENT PLAN WITH THE ELIMINATION OF "WIDENED ROADS", COSTS OF PLAN WITH AND WITHOUT TRAILS, AND COSTS FOR A VARIETY OF TRAIL MATERIALS. MOTION CARRIED WITH ALL AYES.

The Council directed staff to bring a Capital Planning Policy to the next budget meeting for consideration.

Mike Lyonais reported that the City received the first half of the State's Small City Assistance funding in the amount of just over \$31,000 to be used for roads maintenance. The assistance is not to be used on bridge repairs and construction.

Chief Hartman reported that the City could save money by ordering the 2016 squad in 2015. The City could not take possession or expend any funds until 2016. MOTION 08S1-03-15 WAS MADE BY MARK WESSELS AND SECONDED BY DAVE SCHRUPP TO ALLOW THE POLICE DEPARTMENT TO ORDER THE 2016 FORD EXPLORER AT THIS TIME. MOTION CARRIED WITH ALL AYES.

Dave Schrupp reported that the Public Works Commission reviewed a study done by Minnesota Rural Water Association of the City's sewer rates. The City currently does not receive enough revenue from sewer rates to cover the day-to-day operating costs. The Public Works Commission recommended increasing the monthly rates by \$8.00 per month. MOTION 08S1-04-15 WAS MADE BY MARK WESSELS AND SECONDED BY GARY HEACOX TO APPROVE THE INCREASE TO MONTHLY SEWER RATES BY \$8.00 PER MONTH (RESIDENTIAL RATES INCREASE FROM \$37 TO \$45 PER MONTH; COMMERCIAL RATES INCREASE

FROM \$37 PER 8,000 GALLONS PER MONTH TO \$45 PER 8,000 GALLONS PER MONTH.) MOTION CARRIED WITH ALL AYES.

The Council set a final budget workshop on Thursday, September 3, 2015 at 2:00 P.M. A time limit of 2 hours will be set.

There being no further business at 4:25 P.M., MOTION 08S1-05-15 WAS MADE BY MARK WESSELS AND SECONDED BY STEVE ROE TO ADJOURN THE MEETING. MOTION CARRIED WITH ALL AYES.

Respectfully Submitted,



Charlene Nelson
City Clerk