

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
THURSDAY, SEPTEMBER 4, 2003
9:00 A.M. - CITY HALL

Pursuant to due notice and call, the Council for the City of Crosslake met in a special session on Thursday, September 4, 2003 at 9:00 A.M. at City Hall. The following Councilmembers were present: Mayor Darrell Swanson, Chuck Miller, Dean Eggena, Dick Phillips and Irene Schultz. Also present was City Administrator Tom Swenson, Community Development Director Ken Anderson, Public Works Director Ted Strand, Park and Recreation Director Jon Henke, Sergeant Erik Lee, General Manager Dennis Leaser, and Clerk/Treasurer Darlene Roach. There was one individual in the audience.

1. Mayor Swanson called the meeting to order at 9:00 A.M.
2. Community Development Director Ken Anderson commented that in a letter dated September 3, 2003 from Mr. Tedd Mattke of Mattke Surveying & Engineering, Inc. additional information has surfaced in regards to the Dan White Variance Appeal which would support tabling the variance request for one-month in order to allow additional time to research the information. Due to some discrepancies found in the survey, the variance request may be as minimal as six inches. Since the public hearing appeal was scheduled for this date, the applicant was not comfortable having the issue heard until the additional information could be reviewed. Mr. Anderson stated that he has attempted to notify the DNR representatives, who the City requested be in attendance at the meeting, without success. In a telephone conversation with DNR Hydrologist Ron Morreim, Anderson was informed that Mr. Morreim and Mr. Lutgen of the DNR Waters Floodplain Division, were planning on visiting the site of the White/Hoffman residence earlier this date. It was the consensus of the Council that the public hearing would be open to take comments by the representatives from the DNR as information for the Council for a future hearing on the appeal.
3. The Council continued discussion regarding the City's proposed expenditures and revenues for 2004. City Administrator Swenson prepared a handout, which was distributed to the Council showing the impact on the tax levy incorporating the Administrators recommended budget adjustments, market value homestead credit reduction and new construction values. This handout shows the proposed 2004 levy of \$1,984,868, as compared to the 2003 adopted levy of \$1,713,834, for an increase of \$271,034 or 15.8%. However, when you look at the increase it is over-inflated by \$65,119, which is the reduction in the State funded market value homestead credit. Whatever amount the City certifies to the County Auditor, the County will reduce that amount by \$65,119. Normally the State would pay the \$65,119 directly to the City, however with the State's budget problems, the State has informed the City that it will not pay the City for the value of the market value homestead credit. In order to actually receive the revenues required to fund the proposed budget, the City will be required to increase the levy by \$65,119. The County will remit receipts to the City in an amount \$65,119 less the amount of the City's final certified levy. Taking into account the increased amount of \$65,119, the proposed 2004 spread levy is \$1,919,749, which is an increase of

\$205,915 or a 12.01% increase. Based on the County's estimates provided to the City for the taxable value of new construction, the new construction would generate \$53,989 in additional taxes. Using a conservative figure of \$45,000, the impact of the proposed spread levy on the existing tax base would bring the proposed levy on the existing tax base to \$1,874,749 for a 9.4% increase. Swenson stated that these assumptions bring the Council up to date going into this meeting.

Councilmember Eggena stated that his calculations do not agree with City Administrator's number for the spread levy increase. Councilmember Eggena stated that his numbers reflect a spread levy increase of \$176,226, which is \$15,311 higher than City Administrator's spread levy increase of \$160,915. Councilmember Eggena stated that he does agree with the \$2,874,278 in expenditures shown on the color coded spreadsheet and the general fund revenue number of \$527,931 adding the \$65,119 back in. Using Councilmember Eggena's calculation, the percent of increase is 10.29% versus 9.4%. The numbers will be reviewed before the next budget meeting.

City Administrator Swenson stated that he was not proposing any changes to the budget from those proposed at the last meeting. Mayor Swanson stated that Brainerd will be increasing their levy by over 20% having lost \$500,000 in LGA. City Administrator Swenson stated that Breezy Point lost \$55,000 in market value homestead credit and certified their preliminary levy up 29% from 2003. Councilmember Schultz stated that Crosslake is the only City keeping a straight line thanks to City Administrator Swenson. Mayor Swanson asked how much revenue the City has lost over the past few years from the State. Swenson stated in 2001, Crosslake lost \$155,000 when homestead credit was abolished, which was different from the market value homestead credit. So when you include the \$65,119, the City has lost over \$200,000 in State Aid since 2001.

Councilmember Phillips stated that he is troubled with the numbers and doesn't understand the large increases in some of the departments. He stated that everyone is cutting back and he doesn't think that Crosslake has to stay status quo. He would like to see the increases between 4% to 7%. He suggested that the Department Heads look at their budgets and make their own cuts rather than have the Council make the cuts since he feels the Department Heads would have a better idea what items could be cut. He reminded the Council that the City has obligations to make the bond payments on the sewer project, road projects, and public works facility over and above operating the various departments. He stated he would not be comfortable with a 10% increase in a department budget.

Councilmember Eggena stated that he did do a line-by-line item review just as he would go through his own company budget and while he agrees that other cities are in trouble, Crosslake is not and he congratulated Tom Swenson, the Department Heads and the previous Councils. He does feel, however, that the City will be in trouble someday if the Council doesn't set good parameters on how to budget. The advantage the City has is in being under 2,500 in population and not under any State budget restraints. He does feel that before too long, the population will exceed 2,500 and the State will impose levy limits. Eggena stated that he does not support cutting basic services or employees but feels the Council needs to look into the future. Eggena stated that he is being very conservative this year since we have new expenses in the sewer project and public works

facility that we have no known operating costs to compare. Once costs are known, the Council can better budget for these items. Another concern of Councilmember Eggena's is the school district's budget shortfall. Eggena stated that the Pequot Lakes School District approached him when they couldn't budget for scrap shop supplies and Mr. Wilskey furnishes the dumpster at the school and Eggena buries the scrap at no cost. He stated that this is an example of a lack of planning on the part of the School District. Eggena reviewed some possible cuts that he would like the Council to consider. One item reviewed was the budget for the annual audit. Councilmember Eggena noted that while the City is required to have an annual audit, the City should determine what type of audit is wanted rather than the Auditor telling the City what type of audit to have. Eggena stated that he uses Kummet Larson Bluth in Brainerd for his business and has found that the professional fees have a tendency to creep up each year by about 10% if you retain the same firm year after year. If you can shop around and find the basic needs you can save costs by taking the drivers position versus the passenger position. Clerk Roach explained that the City is required to have an audit performed using Government Accounting Standards and the State has recently mandated that cities begin tracking capital inventory for depreciation so audit requirements will increase. City Administrator Swenson stated that municipal auditors have additional requirements imposed on them including peer reviews which are not required in the private sector and agreed that auditing municipal books is very different from auditing a private company. The City does send out RFP's every three years to those qualified companies who do municipal accounting. Eggena also looked at the legal expenses budget and stated that area is also an unknown. He stated that the Police Department is requesting a 250% increase in part-time help and questioned if this was necessary. Councilmember Miller stated he would not support cutting police department staff and that maybe the City consider raising license fees to offset the cost. Councilmember Eggena stated that he has reviewed the Police Department reports and found only 2% of the reports are bar related. Eggena stated he also feels the number of police officers should be tied to the growth of the City. He stated that the Police Department budget is growing three times faster than the City is growing. Councilmember Eggena recommended eliminating the part-time budget as a means of saving \$15,000 in the budget. The next item reviewed in the Police Department budget was the \$1,000 tactical team expense. He inquired whether this was necessary. Eggena also questioned whether a new vehicle is needed next year. Eliminating this line item would save \$27,000. Eggena stated that in his business vehicles are run 125,000 to 150,000 miles without any fear of the vehicle falling apart. If this expenditure is eliminated, \$5,000 would need to be taken out of the revenue budget for the sale of the squad. In Public Works, a new one-ton snowplow is being requested for \$35,000. Eggena feels this can be deferred until later. He stated that the City has a full size plow truck, a loader and a grader for snow removal. City Administrator Swenson suggested that if cuts are made in this area, he would not recommend cutting the amount to zero but put some amount in reserve for future purchases. Under cemetery, Eggena feels \$10,000 in capital outlay should be deferred for another year. Under Park and Recreation, \$2,000 is budgeted for expenses related to the 80 acre parcel. Park and Recreation Director Henke explained that 3 miles of trails are being cleared and groomed and this amount would be used for maintenance, tree planting and etc. The last category is library where \$2,500 is budgeted. Eliminating these items would save \$90,500 and reflect a budget increase of \$85,726 or about 5%. Eggena stated that he could live with a 5% increase and look the taxpayer in the eye. Eggena stated that another area the City could look at for obtaining revenue is in the sale of the current Public Works Facility. Eggena

suggested that the City get sell this building and put the money into reserve or negate the department cuts of \$85,726 and set a levy increase of under 5% to the taxpayer. He stated that everyone's happy, the budget flies as proposed and we only levy a 4% or 5% increase. Even if the City receives \$85,000 for the building we've done the taxpayer justice. Taxes would not go up 10%, 12%, 15% or 29% where it's nothing but runaway inflation in government.

City Administrator Swenson asked for a clarification of Councilmember Eggena's proposal where he would go with Tom's budget as proposed at the last meeting and reduce the general property tax levy by \$85,000 and then add in \$85,000 in fixed assets to help pay for the budget. Eggena stated he would then be fine with the budget and as a taxpayer he looks at his bottom line and his company's bottom line and he can live with a 4% to 5% inflation factor each year in taxes, in fuel and in all the things a person has to do. What we cannot live with is double digit increases or we will eventually be out of business.

Mayor Swanson stated that he also has done a line-by-line item review and came up with some different areas where cuts could be made.

Councilmember Schultz inquired whether the money from the sale of the Public Works Building was slated for some other use. Swenson stated that it could be used to replace the dump truck or add a sweet sweeper by using the money as a down payment with the balance financed. Councilmember Eggena asked Public Works Director Ted Strand how many miles are on the dump truck and Ted stated somewhere between 45,000 to 48,000 miles. Eggena stated that he is running dump trucks with 400,000 miles on them. Councilmember Schultz, whose husband was in the trucking business, stated that they traded trucks every three years at about 100,000 miles, but her husband was an independent trucker who couldn't afford to have a truck in for maintenance for any length of time. Councilmember Eggena stated that his trucks are ready mix trucks and once a load of ready mix is put in the truck it needs to get to its destination because ready-mix turns hard in about two hours and they'd have to throw away a \$5,000 drum. Eggena stated that trucks do not wear out in 45,000 miles. City Administrator Swenson stated that most fire trucks get turned in with about 12,000 miles but are 15 to 20 years old. Eggena stated that this dump truck is not a fifteen-year old truck. Ted Strand stated that it is a 1986 truck. It was agreed that all items will be looked at.

Mayor Swanson asked that the Council go into recess for the public hearing and then the other three Councilmember could present their proposals.

City Attorney Paul Sandelin, Attorney Lonny Thomas and Kevin McCormack of Landecker & Associates joined the meeting at 9:57 A.M.

City Attorney Sandelin stated that he has received a letter from Attorney Gerry Brine requesting that Dee Stone's interest in Crosswoods Development be transferred to Linnea Anderson, spouse of Jim Anderson, by executing a Transfer of Financial and Governance Rights. This transfer is not an assignment of Crosswoods Development's interest, but merely a change in membership. Attorney Sandelin stated that there is no formal action required by the Council since in his opinion the transfer has no effect on any of the agreements that are in place.

A recess was taken at 10:06 A.M. in order to convene the White/Hoffman variance appeal.

At 11:40 A.M., the Council resumed budget talks.

Councilmember Miller stated that he would look at the other Councilmembers suggested cuts including the sale of the Public Works Facility, however he stated that he would not look at any personnel cuts.

Councilmember Eggena stated that he had spoken earlier with City Administrator Swenson and the Union wages that have been set average 5.05%. When looking at the non-union wages, the average is 6.16%. City Administrator Swenson stated that when the General Manager, Operations Manager and Office Manager are included with the department heads, the percent is less than those approved for the Union employees. Also, any overtime paid to union employees is not taken into account in the wage schedule.

Councilmember Schultz stated that she could agree with some of the cuts, but would not be agreeable to cutting Public Safety. She also expressed concern that if the building doesn't sell, we'd have problems meeting budget.

City Administrator Swenson stated that he is not opposed to Councilmember Eggena's rationale, but the Department Heads and himself have made cuts. He agrees that some of the sale of the building can be used to downsize the levy this year, and if it doesn't sell there is \$140,000 in overlay funds that would assist with the cash flow. He also stated that after watching the State for 23 years, he would not suggest that the Council feel the City has a surplus and give it away. Next year is an election year and no one wants to raise taxes in an election year.

Councilmember Schultz stated that she feels the City should stay on a five-year rotation plan for police cars and complimented Tom Swenson on the job he has done over the past six years.

Councilmember Eggena stated that the City is not as susceptible as the State since the City is property tax driven where the State relies on sales and federal tax which is economy driven. The City's concern is property tax decline due to decreases in property values.

Mayor Swanson stated that he does not disagree with Councilmember Eggena on the 5%, however, residential property, seasonal property and commercial property all have different tax classifications and while the Council may increase the levy by 5%, some may see higher percentages and others lower percentages. He stated that between today and next Tuesday, when the next budget meeting is held, the Council needs to determine whether they want to approve a 9% levy increase, a 7% levy increase or a 5% levy increase.

Mayor Swanson stated that his review of the budget included different items than those expressed by Councilmember Eggena. He agrees with Councilmember Miller that the employees' wages should not be affected and would like some budget for a part-time

officer. Swanson liked the idea of aggressively pursuing the sale of the Public Works Building once the new facility is available for use. If the building does not sell in a timely manner, cuts could be made in the road budget. Also, there's about \$20,000 in land reimbursement that could be used.

Councilmember Phillips maintained his position that the department heads should decide how they want to prioritize their needs based on a percentage given to them by the Council.

Councilmember Miller stated that the City will be in a position to improve its tax base with the addition of sewer within the City. This project will increase the land values for those properties located in the project area. Miller stated that the sewer project and the road projects are all assets for the City.

City Administrator Swenson stated that an example of cutting the budget too tight is in regards to the need to do some type of repairs in the rear of City Hall. Todd Eggena has indicated that the cheapest way to solve the problem with snow and ice will cost about \$20,000 with the best way to correct the problem at about \$41,000. This is an example of an out of the ordinary expense that has not been budgeted for. I'm harping, but I don't want to cut to the bare bones where there is no excess for emergency situations.

Mayor Swanson suggested everyone review the information discussed during the meeting and to come back ready to come to a decision on the budget at the next meeting. Councilmember Eggena stated that if the building doesn't sell, the City can always auction it off. Ted Strand stated that the new facility should be ready for occupancy on November 1st. Councilmember Eggena stated that he would like to see a five year plan developed for the City.

The next budget meeting is scheduled for September 9th at 1:30 P.M.

MOTION 09S1-01-03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 12:15 P.M. MOTION CARRIED WITH ALL AYES.

Recorded and transcribed by,



Darlene J. Roach
Clerk/Treasurer

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