

EAST BETHEL CITY COUNCIL MEETING

JULY 8, 2015

The East Bethel City Council met on July 8, 2015, at 6:00 p.m. for the City Council Work Meeting at City Hall.

MEMBERS PRESENT: Steve Voss Ron Koller Tim Harrington
Brian Mundle Tom Ronning

ALSO PRESENT: Jack Davis, City Administrator
Mike Jeziorski, Finance Director
Nate Ayshford, Public Works Manager
Mark DuCharme, Fire Chief

1.0 Call to Order The July 8, 2015, City Council Work Meeting was called to order by Mayor Voss at 6:02 p.m.

2.0 Adopt Agenda **Harrington stated I'll make a motion to adopt the agenda. Mundle stated second.** Voss stated any discussion? All in favor say aye?" **All in favor.** Voss stated any opposed? That motion passes. **Motion passes unanimously.**

3.0 2016 Budget Presentation Review Discussion Davis stated we'll begin the 2016 preliminary budget discussion tonight and the staff will present you with an overview of the proposed 2016 budget. If you'll turn on your budget workbook to Page 1, staff is proposing an overall City levy of \$5,255,300 for the City levy portion of the budget, which is a 1.6% increase over last year's budget. In addition to that, an EDA levy that would be \$123,022, which is unchanged from last year. With that, Mike has a PowerPoint that he will go over the major areas and some questions on the budget. Then we'll have staff members here to answer questions as we go over individual department budgets.

Jeziorski stated thanks Jack. Mr. Mayor, Members of Council, I just have a brief presentation kind of hitting the highlights of the 2016 budget. Again, the agenda for today, to look at the budget timeline, hit some of the financial highlights of where we sit currently and at the end of the year. Then we'll get into the 2016 General Fund budget along with the 2016 levy and then we'll have time for department questions and answers.

Jeziorski stated if we look at the timeline for the budget, again, we start this, it is a yearlong process. We start January 1st with the creation of the budget model. Again what that is, is really taking what was done last year and updating it with the fixed costs of the salaries and the debt service. From there, we provide that to our Finance Committee to kind of just give a broad overview of where we're seeing the numbers come in for 2016. Then we provide that budget document to our Department Heads so they can fill in their variable line items. Then as you can see, July 8th is where we are tonight where we provide the proposed budget to the City Council for input.

Jeziorski stated again, the preliminary levy then is going to be approved in September, September 2nd. With that, then the County provides the stakeholders their proposed property tax bills in November, on November 20th. Then the City Council approves the final budget on December 2nd. So, that's kind of the timeline we're working within.

3.0 Jeziorski stated just going over some of the financial highlights and the key areas to our

budget and our financial standing. Again the General Fund we're projecting to have \$2.3 million at the end of 2015, which is 47% of the 2016 proposed expenditures. Again, you have a Fund Balance Policy in play that says anything above 40% is what you're targeting. For our purposes here, you can just look at the end of the year, we'll have about \$2.3 million in the bank. Again, the reason why we need to have that kind of cash flow in the bank is to cash flow our operations for the first half of 2016. We only get two tax settlements throughout the year, one coming in July so we need to cash flow the first six months of operations. That's kind of what that's used for. Then another one at the end of December.

Jeziorski stated we also have a Capital cash balance projected to be \$2.9 million. Not every city has these in reserves. This is something that was implemented many years ago to basically fund equipment purchases, street outlay, building capital, things like that.

Jeziorski stated another highlight, again, we just had a bond refinance and with that they do a bond rating call. They rated us at AA, which is very strong. Again, they cited very strong management, very strong internal controls, very good budget flexibility, things like that. This is an external agency that comes in and looks at the finances, the internal controls, of the City and then rates us based on that.

Mundle asked what's the top rating. Jeziorski explained the top rating is AAA and that's reserved for the United States government but they've been downgraded, I believe. Ronning stated we're almost better than them. They're like a lower case 'a.' Mundle asked are we pretty much the best we're going to be as far as bond rating? Jeziorski explained a lot of it has to do with our size. AA for a City of our size is exceptional. Again, the AAA rating is essentially risk free so when you borrow money from a AAA rated entity, it's basically risk free so there is no risk of default or anything like that. A very strong, very good in that aspect too. I have a chart I could show you a little bit later to show all the different ratings you can get.

Jeziorski stated another highlight, in the last two years we've refinanced three bond issues, 2005A, 2010A, and 2010B. Multi-million dollars in savings with all three of those issues, combined. The 2005B issue will be defeased in 2016. Again, that just means that we're going to have it paid off in 2016. That's the last payment and then it falls off our books. 2010C will be defeased in 2017 and again, we've taken a lot of different money from different funds in order to get that cash balance up to \$1.3 million. So, it's just kind of sitting there now, just waiting to pay that off. It's not something that we've levied for. It's just something we've kind of grabbed from other funds to make sure that we're utilizing all of our funds and the excess is there to pay that down.

Jeziorski stated another big key financial strength, I think, we're in the process of renegotiating that Met Council Reserve Capacity Loan to more favorable terms. Those are all positive things that the City is going for.

Ronning stated Mike, are you taking questions as you go? Jeziorski stated sure. Ronning asked what's the annual dollar value of the two defeased bonds? Jeziorski stated within your budget book, if you want to look at it, this is a similar chart to what's in your budget book. So for 2016, the one that's going to fall off is right here, the 2005B, which is \$60,000 left in principal. Then the one that's going to fall off in 2017 is \$695,000 paid off in 2016 and \$565,000 that will be paid off in 2017.

Ronning asked \$1.25 million a year? Davis stated if you go to Page 69 in your budget book. Jeziorski stated it's page 69 and 70 of your budget book, which I'm trying to bring up here. The total principal that will fall off in 2016 is \$1.173 million. Only \$60,000 of that is part of the 2005B issue. Does that answer your question?

Ronning stated that's the principal. What's the overall, what's the total cost? Jeziorski stated the total costs for the entire year, all bond issues, is \$1.8 million. Ronning stated good job. Jeziorski stated that's also then reflected in your budget. Ronning stated yes, very nice. Jeziorski asked any other questions?

Jeziorski stated dipping into our General Fund budget, we're projecting our General Fund revenues to increase by 2.5% from \$4,848,700 to \$4,971,300. Again, our budget is balanced so we're anticipating the same numbers for expenditures: \$4,848,700 for expenditures for 2015, \$4,971,300 for 2016. Within our revenue classification, I'd just like to show this slide. Again, we have all these other revenue sources but as you can see from the chart, 83% of our revenue is derived from property taxes.

Jeziorski stated I just want to take a minute to go through some of the other revenue classifications so everybody's comfortable with what the City receives. Again, here's our big component of the General Fund revenue sources, our property taxes, but we also get \$50,000 in franchise tax. Again, that's the money that the City receives in franchise fees tacked onto the Mid-Continent cable bills for those consumers. Then we have licenses and fees. That is going to be our liquor license, tobacco licenses, and our garbage hauling licenses. Then we have our building inspection permits. Again, \$143,000 or 3% of the total budget. Those are mechanical permits, building permits, electrical permits, things like that. We also receive money from the City of Oak Grove and Bethel when we do their inspections. That's broken out and it's \$110,000. We also receive money from the State in State Aid. So that's primarily made up of Street Maintenance Aid and Fire Relief Aid. Fines and forfeits is money derived from the County through their Sheriff's Office. Anything we receive for fines and forfeit.

Jeziorski stated intergovernmental charges is anything that the City, the General Fund, charges its other funds. So, for example, the City charges the HRA money to recoup costs for salaries, and that's \$25,000. It also charges the EDA for charges associated with salaries, that's at \$60,000. So, all those totaled is \$127,000.

Jeziorski stated other significant revenues, again, we have a tower lease revenue that's our American Tower lease over at the Ice Arena. That money has been directed into the General Fund since 2015 now. Then we also have a gambling revenue line item that's \$20,000 of the budget.

Mundle asked will there be more tower lease revenue with the one coming up here by the Public Works? Jeziorski stated that's a good question. One thing that we did not add in here, this is just the American Tower lease. The other Verizon lease is dependent upon when they actually get their tower constructed. So, not knowing exactly when that's going to happen, we left it out at this point. Mundle asked is there a projected revenue? Jeziorski stated the projected revenue is roughly \$24,000.

Jeziorski stated that's the revenue side of things. Now we'll get into the expenditure side of things. One of the biggest components of your General Fund budget is salaries. 40% of the budget is made up of salaries. Under the Mayor and Council and Committee pay, we're not

proposing any changes, so 0% change in salary and stipends. Under full-time equivalents (FTEs), we have 19 full-time staff. We have 9 in Public Works, 9 in Administration, and 1 full-time Fire Chief. Again, we're not proposing any changes to FTEs at this time.

Jeziorski stated we also have 11 FTEs in the union. Again, their contract runs from 2014 to 2016. In it, there's a 2% COLA increase for 2016 and then also there is an increase from \$917 to \$950 for the cash benefit. That's the money that employees use to pay for their health and dental and long-term, short-term, disability. Things like that. We also have three employees eligible for step increases. We have eight FTEs that are non-union. Mirroring the same thing with the union contract, we have a 2% COLA increase, \$950 monthly cash benefit, and we have four FTEs eligible for step increases.

Jeziorski stated some other things to note, 35 paid-on-call fire fighters; one part-time cable technician; two seasonal Public Works employees; and, roughly thirty election judges will be in this budget also.

Harrington stated Mike, on the election judges, I see that went up like 590%. Is that City and County together? I think they're going to raise the rate of pay for here. Jeziorski stated that's a good question. Essentially from 2015 to 2016, 2015 was an off-year election so we did not budget for any kind of election judges. Then when we did the 2016 budget, we did look at the rate of pay and changes in the minimum wages and things like that and moved that up accordingly. So, that has been adjusted for that.

Ronning stated the cash benefit, is that the cafeteria monies? Jeziorski stated correct. Ronning stated so rather than get a question some time later, let's say up front that's not 'walking around money.' That's supposed to be dedicated to benefits. Jeziorski stated exactly. Ronning stated 2% plus \$950 a month sounds like a lot more than what it really is. It's really for health care. Jeziorski stated the cash benefit portion went from \$917 in 2015 to \$950 in 2016. Ronning stated just clarifying that for anybody that's going to 'chew on us' sometime. Davis stated and depending on what your marital status is and what your number of dependents are, that \$950 does not always cover the cost of your medical premium.

Jeziorski stated if we 'slice' the budget a little bit differently and look at it from a program standpoint, our General Government expenditures are projected to increase by 1%. Again, General Government is City Council, City Administration, Finance, Elections, Legal, and the City Assessor. Again, that's projected to go up by 1% from \$1,075,400 to \$1,082,300.

Mundle asked what's the cause for the 1%? Jeziorski stated the cause for the 1% is essentially the salaries, the 2% in COLA, and the increase in the cash benefit. Mundle stated okay.

Jeziorski stated Community Development captures your building inspection expenses and your planning and zoning expenses. That's projected to increase by 5%, \$407,900 in 2015 up to \$428,000 in 2016. Public Safety category captures your police services, the contract with Anoka County for your Sheriff, and our Fire Department services. That's projected to go up 2% also at \$1,590,000 in 2015 to \$1,620,300 in 2016.

Jeziorski stated Engineering expenses, we're projecting that to be flat from 2015 to 2016 at \$35,000. Public Works we're projecting that to increase 5%. One thing on that one, I showed you the Intergovernmental Revenue, we actually changed the way we code some of

the employees. Instead of coding them to Water and Sewer, we coded them all to Public Works now. That's the reason, pretty much, for the 5% increase.

Jeziorski stated in 2015, we had a budget of \$1,212,900 and in 2016 we're proposing a budget of \$1,273,200. We have transfers to other funds, which includes the transfer to the Building Capital, Streets, and Parks. We're projecting that to be increased by 1%, going from \$525,000 to \$530,000.

Jeziorski stated overall, our General Fund levy we're proposing to increase by 1.5% so \$4,050,500 to \$4,113,300. Once you tack on the Debt Service levy, we're anticipating that increasing by 1.6%, increasing from \$1.1 million to \$1,142,000. When you put both of those numbers together, the total proposed levy then is an increase of 1.6%, \$5,174,500 in 2015, increasing to \$5,255,300 in 2016.

Ronning stated not that it really affects anything other than to be able to say that we're at the bottom end of the increases, do you have any 'feel' for what some of the communities are looking at? Or, if you were going to get to that later, I'll just wait. Jeziorski stated nope, I can address it now. One thing I do put together is a comparison of where the cities compare within Anoka County for tax rate. If you were to take a look at where we, at the end of 2014, we're kind of in the middle. So, there's 12 cities that have a lower tax rate than the City of East Bethel and there's... Ronning stated some of those in that 1 through 12 had like 17-18, double digit increases in 2015 where we had what, 0.7 or something?

Davis stated 0.9. Tom we haven't received any information at all from any of our other County cities as to what their proposed increases or decreases may be at this time. We do project that we're still going to be in the lower one-third of proposed increases in the budget as compared to what it was last year. Ronning stated we were looked at a little bit unfavorably for that, we did what had to be done, but then the rest of them did the same thing or more the next year.

Jeziorski asked any other questions? Harrington stated and that number can come down too, Mike, that 1.6% if we would get some development or business. That number still could come down. Jeziorski stated there is always the potential. Like we had discussed earlier, if the cell tower actually gets built within the next few months we can actually add that to the budget. There's also the LGA number that has not been certified yet to the City, which tends to fluctuate a little bit. So, there are little things that we can add into the budget to lower the number down a little bit. But at this point, there isn't anything substantial out there that really hasn't been addressed.

Harrington stated I know this comment has been thrown out before but I want people to understand we're just 'part of the pie.' It's the City, it's the County, and it's the School. Everybody just looks at that total but you've got to look at City, County, and School. That's the one I get. They just look at that total. Jeziorski stated the one thing we'd recommend when you analyze your property tax statement, is you isolate what the City tax is doing instead of looking at from the aggregate. You really do need to dip into the details a little bit on it and kind of see what your City portion of the tax is doing. Because, that's the only way you can really evaluate where the actual increases or decreases are coming from.

Davis stated at this time, we'll do the Fire Department first. Troy Lachinski is here and he'll do a brief presentation on the East Bethel Fire Relief Association request so that we're apprised of where we are with that. Knowing Troy, I know he'll get through this in about three minutes.

Lachinski stated well, you gave me ten but I'll do my best to get it in three. Voss stated I did hear an emphasis on 'brief' though. Lachinski stated yes, but first of all, let me thank you for letting me come here and present to the Council. We've been doing this for several years now and I really appreciate the opportunity to tell you what's going on with the Relief Association.

Lachinski stated so basically our goals in the Relief Association is we want to have a strong benefit for our members to keep people on the Fire Department as long as possible. We want the most experienced people serving our City as possible. So, we want to have a strong benefit but we also want to be fiscally responsible and make sure that we're doing things the right way. We don't ever want to come back to the City with a surprise and say, 'Hey, there's a mandatory contribution.' What the Relief Association really does is we're specifically designed and set up by State Statute to provide a benefit to the members of the Fire Department for their years of service. Basically, the way that you get a benefit is you have to be on the Fire Department for at least ten years and you have to reach the age of 50. So, if you get at least ten years in and retire before age 50, the money just sits in our fund until you reach the age of 50. Currently we're using Hartman & Hartman to help oversee our investments and also we have the Relief Association Trustees also overlook that.

Lachinski stated so the goals, we've already talked about that so we can skip that. The short-term goal, we always want to maintain at least a 110% funded plan. The long-term goal is we would like our benefit to be \$100,000 after 20 years of service. Currently, that would require a benefit level of \$5,000 per year of service. Today we're at \$4,000 per year of service. So, it all depends on how our investments do, how long our members stay on and things like that. I'll go into a little bit more of that.

Lachinski stated basically, experienced fire fighter retention is the key here. If we look at our Department right now, we have 17 members that are vested, which is 47% of the Department. That includes also, 316 years of experience as fire fighters. That's 82% of the total Department's years of service that are in this vested category, 10 years of service or longer. We want to be sure that we keep those people. That includes 89% of the Department's officers and after next year it will be 100% of the Department officers. It takes about three years for a new fire fighter to get their training, get comfortable with what's expected of them, and get up-to-speed. So, it's really important to keep the people with all the experience.

Lachinski stated where does the money come from? It comes from State Aid, City contribution, and other miscellaneous that was the Safer Grant, that 1%. But most of it comes from the investment earnings of our portfolio. Where does the money go? You know Administration has always been about \$5,000. This year, it actually was bumped up to \$10,000. There's a new requirement called GASBY, which is not a requirement for the Relief Association but it's a requirement for the City. Without us going through an actuarial for our investment portfolio, that might put a bad light on the City, so the Relief Association has agreed to pay for this actuary this year. That's going to cost the Relief Association about \$3,200 this year. But, it's all in the spirit of working together with the City and making sure that we're all on the 'same page' and so on and so forth.

Lachinski stated the other place where the money goes is to pay pensions. And, that varies because it depends on if anybody retires this year or not. So, it's been a few years since we've had a retirement so there hasn't been any payouts recently. We're expecting some coming up.

Lachinski stated this slide right here, what I did is I took, every year the State Auditor releases a report that shows the status of every single Relief Association in the State of Minnesota. This data is a little bit old but basically what I'm showing here is on the left-hand side, is all of the Relief Associations and where the revenues come from. On the right-hand side is the East Bethel Relief Association and where our revenues come from. I just want to show you that we're basically the same as everybody else. Most of the money comes from investments. We get some money from the State and some money from local government, the municipal contribution.

Lachinski stated this is a graph that shows our main incomes, removing the investment income, but the State contribution and the municipal contribution. The City aid has been very consistent and we very much appreciate that you guys have been very consistent in giving us the contribution each year.

Lachinski stated history of the results, you can see we've been a very healthy Relief Association. You want to see a gap between how much we have in the coffers versus how much we have in liability. But, when that gets too much, obviously that means it's time to raise the benefit because it doesn't do anybody any good to have a whole bunch of money in the 'pot' when we're not actually paying any of that money out. There needs to be a good balance. That's where we want to get to the 110%.

Lachinski stated every year, the State Auditor requires us to fill out many, many pieces of paperwork and many forms and many reports. One of them that we fill out every year is the minimum benefit worksheet where it takes what we're expecting to have come in, how many firefighters are in our Department, and it comes up with a formula to decide what our maximum benefit could be. So, this year the formula came out with the maximum benefit that we could have would be \$4,600.

Lachinski stated this is our prediction from last year for where we thought we would end up at the end of last year. We thought our total income would be \$127,000 and it came out to \$168,000. So, that was mostly due to investments that were very strong last year. Our prediction for next year is we're thinking will be a total income of \$143,000. What we're basing that number on is investment income of about 3.5%. The reason we use 3.5% is because if you look at the last ten years, that's kind of been the average. That includes a couple of pretty bad years in there.

Lachinski stated what we'd like to do, if we were to keep our benefit the same, keep it at \$4,000 per year, we're going to be 126% funded at the end of the year. If we do that, there's no fiscal impact on the City. If we go to the next slide, if we want to raise our benefit to \$4,300 per year of service, we'll still be 118% funded and there still would be zero fiscal impact on the City.

Lachinski stated so I just want to put out that, in addition to providing the fire and rescue services to the citizens of East Bethel, our Fire Department members are also very active in the community doing pure volunteer work. We have the Fire Department Explorers, we

have the Retiree Program, Fire Safety Program at the local schools, our HeartSafe Program, we're the charter organization for the Cub Scout Pack #387, and we just started a Fire Auxiliary, which includes not only family members of the Fire Department but also just regular community members. We do first aid training for boy scouts, cub scouts, the BMX group. We've done a little bit with the churches in the town too. We also support East Bethel Royalty and the East Bethel Seniors. This is all that I can remember just off the top of my head. I know that there's other community outreach programs that we do.

Lachinski stated so what we're actually requesting is we would like, later this year, we would like to come back to the Council and officially request permission for us to raise our benefit from \$4,000 a year to \$4,300 a year. I know that some of the people in the room are new and haven't been through our presentation before but the money we're going to give the raise with is not City money. It's not anything that would affect the City budget. It's the money that we already have in our account. Right now we're 126% funded and we would raise our benefit, which would raise our liability a little bit but still be at 118% funded at the end of that.

Lachinski stated we'd also like to continue the municipal contribution of \$14,000 to the Relief Association, which has been a budget line item for the last several years at that amount.

Ronning stated Troy, if I may. The comment on the \$4,000 to \$4,300. Like you say, those are your dollars and some government requirement that you have to bring it through the Council. Otherwise, we really, all we do is nod or shake, otherwise the money is already done. Lachinski stated we could change our bylaws on our own, without coming to you guys and we could increase it. But what could happen is down the road, maybe there's bad financial several years and there could be a mandatory municipal contribution. If we didn't properly go through the guidelines and have the City Council ratify our bylaws with the increased benefit amount, we would be forced to go back to the old benefit amount. So, it's important for us. We'll update our bylaws, then we'll ask you to ratify them.

Lachinski stated there's one more thing on that. The other PDF, I don't know, hopefully it got printed but it was a spreadsheet, another one with how we came up with these numbers. Why did we decide on \$4,300? There is a formula that I use. Basically, one of the schedule forms that we have to fill out every year for the State Auditor, it allows you to put in a line item that has the amount of the benefit and another line item on what we think our investments are going to do.

Lachinski stated what I do every year is I decide what it's going to look like for a good year, which I consider 3.5%. Although we've done way better than that the last few years. And, I do the calculations with the 3.5% increase. I do the calculations with a 0%, a break even year. I do the calculations with a losing 3.5% in a year, which is a really bad year. And, basically a disastrous year like -7%, which almost, in the history, almost never happens. So I like to come up with a nice balance so even if we had a horrible year of -7%, we would still be over funded so there would be no municipal contribution that was mandatory. In the event of a bad year of -3.5%, we would still be more than 110% funded. So that's where I come up with those numbers. Any questions?

Ronning stated 110% typically would be the amount of eligible to the benefit compared to the cash pool. Lachinski stated for example, let's say that everybody retired today. Ronning stated and if everybody is in the 'pot.' Lachinski stated and everybody is vested,

we would still have 10% left over when it was all said and done. So, if you take the total amount of money that we would possibly owe everybody and the total amount of money that we have, we would still have 10% after everybody was paid.

Ronning stated and that's not based on actual eligibility. Lachinski explained the way the State Auditor figures that is they just assume that everybody is going to get paid the total amount. So, for example, if a fire fighter retires after ten years, they get paid an amount but it's only 60% of the amount they would have been paid. So, even still, we do all the calculations based on what they would get paid, the full amount, because we don't know. We're just assuming that everybody will get 20 years.

Ronning stated if you guys are doing 3.5%, that's excellent. Those are probably some of the lowest risk investments you can possibly get into. Lachinski stated yeah, and with that said, we also have a short-term account and a long-term account. The reason we set up the short-term account is the money in the short-term account is set aside for anybody that might retire in the next five years. So we look at anybody that is vested and turns 50 in the next five years so they could get paid out within the next five years. What we do is set aside that amount of money in a very low risk investment portfolio so that money for sure is always going to be available over the next five years.

Jeziorski stated this is taken from the last audit report. As you can see, they had total assets of about \$1.8 million and then their pension liabilities of about \$1.475 million. Lachinski stated if you look at 2013, we were the top five in the entire State at 132% funded, which you don't necessarily want to be there. It's good to be healthy but that definitely means that our benefit is not high enough because we have more money in the funds than we would be willing to pay out.

Lachinski stated so that's what I had to say. What kind of questions do you have? Or, what kind of more information would you like to see before I would officially come to the Council with this type of request?

Davis stated to put this into perspective, Troy's request for the City contribution is reflected in the Fire Department budget in line item 127. It's a \$14,000 item within the budget. He's just explained the details of how we reached that number.

Ronning asked was there 35 or 36 firefighters? Lachinski stated it all depends on how you add it up but 36 is the actual number. Ronning stated so 14 divided by 36 isn't. Lachinski stated it's basically \$400 a fire fighter at 35. Ronning stated yeah, that's not a big cost. Lachinski stated and to put it into perspective, when we talk about salaries being the big part, you guys can all look up how much I got paid last year. I make about 40% of the calls and I got paid about \$2,000 last year. So, I think the City is getting good value out of me and the other fire fighters.

Voss stated early on in your presentation, you showed that for 20 years of service it's a \$100,000 benefit. I think many people will look at that and go, '\$100,000 for a volunteer person.' It's like they're looking at the wrong number. It's not the \$100,000, it's the 20 years of volunteering to the City. That kind of service is immeasurable. And, basically the City's putting in \$400 a year to not just get the retirement benefit but to get those years of service from our citizens. It's a great investment. Lachinski stated yup, and I'm not even going to talk about myself because I don't do that. But, there are a lot of really talented, caring people on the Department that really do a lot for the City. Voss stated absolutely.

Lachinski stated there's some people, we've got a top-notch Department and top-notch leadership.

Ronning stated that \$100,000's your target and you're a little bit below that now? Lachinski stated we're below that now. Ronning asked do you have an anticipated future? Lachinski stated it depends. Every year we want to look at the numbers and come back to the Council and say, 'Hey, here's what happened last year. Here's where we're at.' You know, maybe there'll be years and there's no reason to give a benefit increase because the investments didn't do what we thought they would do. We're only going to ask for a benefit increase if it makes sense. Right now we're at 122% funded, it makes sense. If we're at 106% it wouldn't make any sense. But, I'd still like to come here and tell you where we're at. Ronning stated you should go to Chicago and some of those places and run their funds.

Voss stated maybe it's an ignorant question, but it seems to me that the healthier Relief Association would be from a Department that has fire fighters with longer-term service rather than shorter-term service. Lachinski stated unfortunately what can happen is if you have members that stay in the department for 7 years, 8 years, 9 years, all that money's built up and then it just goes back into the fund because unless you have 10 years of experience, you don't get anything. Even if you stay on for 10, 11, 12 years, you don't get the full amount. You get 60% or 64% or 68%. So, that's part of the way that the fund gets healthy. But we're at a \$1.8 million fund so if we get a 3% rate of return, which in the stock market world is not good, it's very average, that's a lot of money. That makes up for, I mean 3% on \$1.8 million. You're the math guy, that makes up and helps pay a benefit just in the interest alone that we make in a year.

Voss asked any other questions for Troy? All right. Lachinski stated all right, well thank you. If any questions do come up, contact me directly or go through Jack. I'd anticipate we'd come to the Council with the official request some time in the next month or so. Davis stated thank you Troy. Ronning stated thanks for the information and your time.

Davis stated we'll bring the total Fire Department budget up now. Again, Troy's request was for \$14,000, which is a portion of the Fire Department budget. The proposed budget for the Fire Department for 2016 is \$586,300. This represents almost a \$20,000 increase over last year's request. Of this amount, \$586,300, approximately 57% of it, is for wages and benefits for the 35 fire fighters and the Fire Chief. Approximately 20% is transfer into the Equipment Replacement Fund. So, 77% of this budget are essentially somewhat fixed costs with 23% being for operations. With that, I'll present the Fire Chief and he'll be available for any questions you may have regarding any line items and he will provide a brief presentation of his request.

DuCharme stated thank you, Mayor, Council. The 2016 proposed budget that's in front of you, it has certain items, obviously, that we have a little bit of control on. Some of the highlights as far as the increase on budgets that I'd like to discuss starts with Allina Health, who's our medical direction. For 2016, that's roughly about a \$1,400 increase. It has been a number of years since they had increased their amount and if Council remembers, we actually came through and approved a contract. The Council approved their new two-year contract. Our infamous Joint Powers Agreement that we're a part of with the Anoka County Fire Protection Council, that will cost us about \$3,500 more. If you'll remember, that's also for the Public Safety Data System, our record management system, that goes along. That's the majority of that cost.

DuCharme stated I am asking Council to allow us to bring in a cleaning crew to clean toilets twice a month at Station #1. That building is consistently becoming more public with our outreach programs and I think it would be a good idea not only as presentation but also cleanliness if we take a hard look at that. I used a ballpark figure of about \$200 per month, \$100 each time they come in. I haven't secured any bids but I've been told that's pretty close.

DuCharme stated the next item is about a \$2,400 increase on our telephones. What that includes is the wireless for our mobile dispatch units. We're not planning on putting mobile CAD, our mobile dispatch units, into every single truck because that's not necessary. But, we do need to put that mobile dispatch system into our two rescue trucks, our duty truck, and our command truck. That wireless connection, we're figuring about \$50 per month and there again, four of them for \$2,400.

DuCharme stated our turnout gear is going up. Our turnout gear is our personal protective equipment that we wear in structural fire fighting. That's going up about \$75 per set. Also an increase in boots and just gloves and things like that. So, clothing and personal equipment is actually proposed in the budget as a \$700 increase. I just want to point out on the turnout gear, is really good for about seven years. So instead of buying all new gear every seven years, what we've been doing is rotating it in. We're almost done with the 1998 stuff, the old stuff that's there, so it's continual that we try to buy six sets of gear a year instead of buying 35 at one time.

DuCharme stated I am asking also that we increase our training budget by \$1,000. We train at a very high level. As Troy said, this Fire Department, the fire fighters are exceptional in their service. They're exceptional in their training and the certifications that they carry. The \$1,000 really relates, maybe to sending people to two additional classes because they run about \$500 per person with books. We're talking advanced classes that we feel are worthy of the cost.

DuCharme stated that's really the highlights of the increases. On the maintenance items and things like that, we've kept those pretty steady for a number of years. One thing I do, and I realize the Council realizes this too and recognizes it, a lot of the maintenance that we do never shows up on payroll because the guys might come in on their own time to put things together or try to fix a small engine. Those are things that we never hear of in public. But, this is an exceptional Fire Department. There's no doubt about it. It's definitely the best Fire Department I've ever been dispatched with.

Voss asked any questions for Chief? Koller stated I seem to remember a while ago you were talking about the oxygen tanks were reaching their age. DuCharme stated they are. That's going to 'come to roost' I think in the next five years that we'll have to be looking at something. As a group, through the Joint Powers Agreement, the Fire Departments have been talking about the possibility of looking at a grant. I know that Bethel Fire just got done buying their units. I think, I'm not absolutely sure, but I think they bought like 15 units or pretty close to that and I think they've got about \$160,000 invested. There's no doubt that when the time comes for East Bethel to purchase SCBA Units, Self Contained Breathing Units, that we're probably at least looking at the \$200,000 price tag, depending on what they are. A lot of times, like Bethel, was able to jump on the, I think it was the St. Paul Fire Department bid and buy from there. A lot of times that's what we'll try to do. We'll also be looking for some grant money on that too.

DuCharme stated the current units that we have were actually purchased on a grant. That was very good. I can warn you all a little that usually the federal government won't give you another grant for the same thing you just bought for the same item on a grant. They try to spread that out a little bit. Koller stated it's something that we have to keep in our minds in our budgets. DuCharme stated absolutely, at some point in time we either need to start setting money aside or we need to make a major purchase.

Harrington asked is \$1,000 enough for training? DuCharme stated well, as you can see through the years, there was a time not too many years ago that there was no training for City employees, which put extreme crimp on the Fire Department. So, we've been building it back up. I can tell you this, it costs anywhere from \$20,000 to \$25,000 to train our fire fighters so where does the other money come from? We get it from grants. We get it from reimbursements from the Minnesota Fire Fighter Training and Education Board. We've got our request in now for that reimbursement and we've been able to pick up some small grants here and there, at least 'tag team' with other cities on that. There's no doubt it's about \$20,000 for training for the Department.

Ronning stated we always look at the aggregates, the big numbers. It's changing \$20,300 so if there's 36 people, that's \$563.89 a person, which, that's the cost of doing business. No more no less, isn't it? DuCharme stated I believe so, right. Ronning stated so it's not as much as it looks like, to me.

Voss asked any other questions? I've got a somewhat related question but it's on the equipment though. We had discussion at the last Council meeting about the fire truck purchase. Is that coming back to Council? DuCharme stated that's coming back to Council the next meeting. We took some time and did some research so that we were able to compare apples-to-apples, so to speak. There are some significant differences between the two pieces of apparatus dealing with plastic poly body versus a metal body. So, that will be coming through. You'll see that in your packages this weekend.

Voss asked do we have any other projected, when's the next projected major equipment purchase? DuCharme stated you caught me here Mayor. I don't have that schedule. Voss asked next year? DuCharme stated I don't think so. Jeziorski stated I'll put it on the screen. DuCharme stated when you look at the 2016 purchases, the truck that we're talking about replacing right now is the Ford L8000. Now, the plan was to order it and get it ordered now and then it takes 330 days for delivery so it would be 2016 delivery. Then when you look at 2017, we have nothing there and don't have anything for 2018 and I think 2019 is when we start looking at replacing command cars.

DuCharme stated as I've said before, on our bigger trucks, we plan to keep them for 30 years so we do a little bit of refurbishing somewhere in the middle. You can see in, what year was that Mike? Jeziorski stated 2020 or 2024. DuCharme stated you can see those are in there that we'll refurbish them. Or, refurbish is really touching them up paint-wise and sometimes the electronics need to be taking a look at.

Ronning stated that F8000's an old truck. That would have come from the Louisville, Kentucky truck plant. They haven't made that truck since the early- to mid-90s. DuCharme stated that's been a good truck until now. We haven't had an issue since the last time I've been to Council with it.

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Voss asked is there ever going to be a mandate that the color of the truck's got to change to yellow? I've heard somebody saying that before. DuCharme stated you know, I spent 20 years with a department that had yellow fire trucks and that fire department spent \$400,000 recently painting them red. Voss stated oh, okay, so there is no mandate. DuCharme stated there is no mandate. You know what, when it comes to fire truck color, it's usually what the 'feel' of the Fire Department and the City is. We're not going to change red. Voss stated yeah, not by choice. DuCharme stated I think I'd have 35 guys, 36 guys, that would probably paint my car the same color and I'm talking my personal car. Probably paint it pink or something.

Harrington stated as far as equipment Mark, I know you guys have the boat for the lake in the summer. You guys ever consider anything for the winter? I know you can't drive on the lake but like a 4-wheeler or something if you had to get out? DuCharme stated if you go back to 2017, Mike, right up here, one of those Kubotas, I've been talking to Nate about possibly making a transfer to the Fire Department for the trails and things like that.

Harrington stated yeah because you guys, I know you can't drive on the water in the winter so if something happened on Coon Lake or one of these other lakes. DuCharme stated yeah, so we've had that discussion. It's going to be important for Nate to buy a new one so we can have the old one.

Ronning stated when it comes to the budget talks, this is operating a business. This isn't equipment replacement, so to speak. We have Capital Funds for all the major trucks. DuCharme stated that's right. We transfer, in the budget there's \$115,000 that we've been transferring to the Equipment Fund per year and that's a very, very smart thing for the City to do. The problem is if we don't keep up with that, it may be a situation where a city may say, 'Well, let's just skip this year because we've got other things going on.' You never really go back and make it up. So, it's real important. As Mike showed you some of the fund balances there, that's part of the Equipment Fund. To be able to go out and purchase, in cash, fire equipment without having to go out and lease it or bond for it or equipment certificates, or whatever, that's a huge thing.

Voss stated you read about the smaller communities that have to bond for these things and why get in an argument over public safety is beyond me. Ronning stated I think Mike said that's nothing new or recent. That's been in effect for many, many years in the City. Good planning a long time ago. DuCharme stated absolutely.

Ronning asked, can I ask you an unrelated question? DuCharme stated you sure can. Ronning stated I think it was Sunday afternoon, there was about three or four EMS and such that were going south on Polk from Sims. Was there, maybe it was Monday. They were in a hurry. DuCharme stated well, we've had a number of calls. I'm trying to... Ronning stated if it isn't on top of your head, that's all right. DuCharme stated you know what, in a little bit let me look at my phone. I've got the whole list there.

DuCharme stated incidentally, when we do budgets, we try to project what our call volumes are going to be. So, for 2015 the projection was, I think, 510. Well, the first half of the year we answered 288 calls. So, if that were to continue, obviously, we're going to be over. But, it has been a pretty busy first half. It slowed down a little bit this past month of June so we'll see what happens.

3.0 Voss asked any more questions for Chief? Thank you very much. DuCharme stated if

you've got any questions, just give me a call please. Harrington stated thanks Mark.

Davis stated Mr. Ayshford's here to present his 2016 budget request for basically Parks and Roads. He'll also be giving you some information on the Recycling Program and the Enterprise Fund activities we have in Water and Sewer. Essentially, the first one he'll present to you is the request for the Parks Budget. We're requesting an increase of approximately \$10,000 in that budget from \$399,000 to \$409,700. Of that total, 82% of that is wages, benefits, and transfers. The biggest increase in that request this year would be transfers, but that's included in another category. Only 18% of that is for operational funds. Nate?

Ayshford stated Mayor, Council Members, the Parks Operations budget, if you look at what's included in the packet, once you get past line item #151 down to the #200s, we're not requesting any changes at all in the operations side of things. The Parks Department takes care of the City's parks but it also, some of that money is reflected in Street Operations. We have a few employees that are classified as Parks employees but they handle snowplowing operations. Both of our Departments kind of are interchangeable on a lot of items. Really not a lot to say for the Park Operations budget, if anyone has any questions on that one at all. Any jump out at anybody? Voss stated hearing none.

Ayshford stated the next one we have is the Streets Operations budget. With that category, kind of the same situation. We're not asking for any major increases with the exception of line item #229, which is equipment and parts. That includes anything that has to go on all of our equipment: filters, belts, anything to repair vehicles. That's all handled in-house so it's good to see that although that number has gone up, it's stuff that we're taking care of with our employees and putting on ourselves. We also have a line item farther down that covers stuff that we have to farm out and that line item hasn't changed over the years. So, we're handling a little bit more work in-house but the cost of repairs and parts is always going up.

Voss asked what types of things are done outside? Ayshford answered a lot of the major, like electronic issues with the vehicles. We don't have the capability of handling that. Transmissions and major engine overhauls we've had to do in the past, we farm that out too.

Voss asked do we use local vendors? Ayshford answered we use, like a lot of our smaller vehicles are Fords, so we use Hayford Ford in Isanti and we get a discount from Tousley Ford in White Bear Lake. We get costs for labor at, probably, half the price of what normal people would get there.

Voss asked do we utilize any of those local in East Bethel? Ayshford stated Central Truck Service on 65 we use for a lot of our work on our larger vehicles. They do a lot of brake work for us on the single-axle plow trucks. Whenever we can, we try to and use local vendors.

Davis stated Oak Ridge Body Shop and Cedar Creek Automotive are two other vendors that we've tried to utilize and have utilized in the past also. Voss stated okay, I've heard in the past criticisms that we're not using as much as we could our local vendors. So, I'm glad to hear we are. Ayshford stated we try and use Central Truck whenever we can. They're nice and close too so it saves us time for getting stuff back and forth.

Ayshford stated so that's pretty much it for the Streets Operations budget. Is there anything in there that anybody has questions about?

Davis stated one thing we'd like to point out there is that the Streets budget shows a proposed increase of \$50,000. A big portion of that is the reclassification that Mike mentioned earlier where we reclassified the person who was primarily assigned to operate the Castle Towers Sewer Treatment Plant has now been classified under Streets, under Public Works, so all of his salary is reflected in that category. So, that's the basic reason for that large increase.

Voss asked has those job duties changed? We obviously are not operating a plant there any more. Davis stated they've changed somewhat but that person now has two water plants to run. They have the water plant in the south and still the water plant at Whispering Aspens. But, there are no sewer plant operational duties. There are sewer duties to look after and maintain our collection system.

Ronning asked was that an East Bethel employee? Davis stated that's correct. He was coded half his time was to Streets, a quarter of his time was to Sewer at Castle Towers, and a quarter of his time was to Water at Castle Towers. But now we've just lumped him all under Public Works and he's assigned whatever times he's needed to operate those two water plants.

Voss asked is he still keeping up his operator license? Ayshford stated oh yeah. We've actually had two other employees that we've had take their water license exams as well so we have two more. Voss asked they need that for lift stations, right? Ayshford stated just for the water side of things. So, operating the Water Treatment Plant.

Ronning asked are you anticipating any equipment replacement? Ayshford stated we have it on our Equipment Replacement Schedule. Nothing outside of replacement, no new purchases planned. Jack and I have talked that at some point down the road, as utilities expand, we might have to look at some different things down the road. But, that's a ways off yet so we're not budgeting anything for that.

Ayshford stated for next year, we have, I can just go through that quick right now. For next year, for 2016, we have two small mowers that are being replaced and the last of our F550s will be replaced next year. Those are our cul-de-sac trucks that we use for plowing cul-de-sacs and parking lots in the winter time and they do a lot of the heavy lifting, pulling trailers and stuff during the summer months. One of the trailers is scheduled for replacement as well.

Ronning stated that money's already in the Capital Funds. Davis stated correct. Ayshford stated yes, we transferred \$125,000 annually out of our Street budget and I think there's \$16,700 that comes out of the Parks budget that goes into that fund, building up a balance in anticipation of these purchases. With the Streets Operations budget, too, it's highly dependent on the weather. The biggest portion of that is our snowplowing. Like last year, we had all kinds of snowfall. This past winter was a lot nicer so we started off the year well as far as our salt, overtime, and fuel budget is concerned. And, that all can change in November and December this year yet. But, we think we've got a pretty good median point for covering that, bad winters and easy winters.

3.0 Harrington asked what about salt and sand prices? I've heard salt is going, the price is up.

Ayshford stated we buy salt on the State contract and over the past five years it's gone up a couple dollars a year and this year too. Harrington stated that's all, okay. Ayshford stated we pay \$76 a ton delivered. Ronning asked any left from last season? Ayshford stated the salt shed's plumb full and ready to go. Voss stated you're trying to keep it dry, right? Ayshford stated we bid an amount each year and we have to take delivery of between, well we can go, say 80% of that amount up to 120% of that amount. Last year we were able to purchase the lowest amount that we were required to purchase and we still have enough left over. So, at least some savings there. Any other questions for the Streets Operations budget? Voss stated hearing none.

Davis stated Nate will review, briefly, the Recycling budget and the Water and Sewer budget. Ayshford stated Recycling covers our recycling operations at the Recycle Center. \$12,000 of that goes to the professional services fees, which pays for the East Bethel Lions to run that operation down there. We've had quite a few good comments on how well our Recycling Program's been doing in East Bethel. We got almost to our goal the County sets for us each year for getting our money for that. No real requests for our funding of the line items in there either.

Davis stated, again, that Fund is funded by a grant from the County. It's not funded by the levy. Ayshford stated on top of that too, we request money each year to help pay for other items. Last year, or two years ago, we purchased a new glass crusher and bailer for operating inside the Recycle Center. That was all covered by grants from Anoka County. This year we're going to request some improvements to the building itself for a new gate, some new siding, and gutters for that building to make it look a little nicer. We're also going to use some of the money to help cover the cost of removing the oil tanks, the fuel tanks that were in there, last year.

Koller asked is it all done now? Ayshford stated it is all out of there. They are still doing some monitoring on the groundwater in that area. That will go on for a little while before they officially close the site. We're paying for that now. If you look under line item #403, there's a large balance in there that we've had to pay to cover the cost of that. It's reimbursed by the State Petro Fund to help cover the cost for removing unused fuel tanks. So, we're still in the process of doing that.

Ayshford stated with the Sewer Operations, that is Page 77. The biggest change in that budget is from the past two years. We've shut down that treatment plant so we've saved a lot of operating costs there. It was reflected in last year's budget as well. We'll no longer have those high chemical treatment costs. Mike, maybe you want to talk about the addition of the Debt Service Fee to that fund?

Jeziorski stated there's two new line items within the Sewer Fund. Both have to do with the Met Council Sewer Treatment Plant Facility. Essentially, this #307 line item is the line item that captures the expense related to the treatment of our wastewater. So, that's something that the City will be getting a bill each month. They've estimated it at \$28,000 annually now and that's going to be the cost that they incur for treating our wastewater. The second component of that, or the second leg of that is, our current Reserve Capacity Loan states that if we do not meet our quota for SAC units, that they can charge us on that Loan a rate that is equal to whatever that wastewater charge is. So, again, if the wastewater charge is \$28,000 then we can anticipate another \$28,000 expenditure on that loan. Again, now, that's something we're re-working at this point but that dynamic would stay in place with the new agreement anyway until we meet that \$2 million threshold. So, that's going to

be kind of a constant until that's met.

Voss asked where's the \$28,000 come from? I mean the charge? What are we discharging? Is it from the Water Plant? Jeziorski stated it is from the sewer facility so essentially, there are 103 communities that are serviced by Met Council. They treat all the effluent and we're going to be in that grouping now where they base upon the amount that it takes to treat all that and then they divide it by all the communities based on their flow. And, they've estimated our costs within that at \$28,000.

Davis stated that's based on our projected flows for service. In other words, that's the cost that we're charged by Met Council to treat the sewage that they receive at the Plant. So, we pass that along to our customers. Voss stated I was just going to say, that's the number, so that's a net zero when it comes down to it. Davis stated that's correct and the second component, though, is that Reserve Capacity Loan Payment, which is equal to the flow charge. As our flows increase, then our loan payment will increase. That's what we discussed at the Work Meeting back in June, that if we agree to these modifications in that contract, that if we hit that \$2 million reserve capacity loan cap, then this Flow Charge Loan will go away. We'll still be paying for whatever the flows are, but the extra that's added on to that will go away at that time.

Jeziorski stated the one thing to note is this is not a General Fund so these are not General dollars. These expenses are covered, theoretically, by user charges. So, what we bill out on a monthly basis to the customers associated with the Sewer and Water Plant. Now, if we take a look at the summary of our Enterprise Operation, you'll notice that from a cash flow standpoint, we're sitting pretty good. We're at about break even with where our rates are. So, for every dollar we spend, we're actually recouping that money dollar-for-dollar for the expenses. The problem then becomes, though, when you add in that depreciation component of this, and we actually start to put the infrastructure from the sewer and water on the roll here, that it's not covered. So that's where a further analysis will have to be made, I guess, in order to determine what we want to do with the rates. But, from a cash flow standpoint, it's actually, the rates are meeting that.

Harrington asked is that why you're getting that big jump from 23 and the depreciation to 292? Jeziorski stated correct, yeah. So everything right now is sitting in a category called 'Work in Progress.' When it's actually finished, it goes from that 'Work in Progress' category to actually starting to be depreciated on the water and sewer books. That's why there's a huge jump in depreciation.

Ronning stated the original Agreement says that we pay for the water treatment for wastewater but the ownership stays with them. Who gets the depreciation costs? Jeziorski stated the depreciation for the actual Treatment Plant is the Met Council's. The depreciation that we're depreciating, and I can show you the chart, it is the sewer trunk lines, what other things? Davis stated it's our collection system, lift stations. The depreciation to the sewer plant is Met Council's sole responsibility.

Ronning stated with regard to the Castle Towers, have you had the opportunity to look at what the cost of running that was compared to transferring the cost? Are we 'ahead of the game' with that? Jeziorski stated I think the best analysis that we've done is just taking a look at our 2014 budget because that's, obviously, when the Castle Towers was in play, and comparing it to where 2015 was when we took that out.

Davis stated you can correct me if I'm wrong on these figures Mike, but Tom I believe the total operational costs for running the Castle Towers Waste Water Treatment Facility was somewhere in the neighborhood of \$80,000. That included electricity, chemicals, wages. So with that in mind, now we don't have that cost. We do have a few costs still. We have the electricity for operating the lift station and any maintenance on the lift station and depreciation on that. We haven't broken those costs out yet but we are considerably lower than what we were expending.

Ronning stated the \$50,000-some transferred to Streets, or whatever, under Nate's. Davis stated the \$50,000-some wasn't the total but it probably made up about \$25,000 of that because for that person, half of his time was charged to essentially Castle Towers Water and Sewer. But with the electrical bills that we had up there, the chemical costs were very high. We also had a lot of costs for pump replacement on some of the lift stations there. We'll still have a few of those costs with this but we're substantially operating at a lesser cost now that we've connected to the other system.

Ronning asked with the higher cost up there, are we operating all new equipment? Or do we still have some old maintenance? Davis stated we're operating all new equipment. The lift station that actually serves Castle Towers itself was upgraded and the main lift station is new. So, we're operating all new equipment as it relates to lift stations.

Ronning stated and life expectancy on that's a long time. Davis stated it is except for the pumps, which are the major component of that. It just depends on what gets in them sometimes as to how long they last or whether they have to be pulled or repaired. So, those can last a while or you can just get a couple years out of them.

Davis stated I wanted Nate to just briefly go over and hit the highlights, especially the Recycle Program and emphasize, again, that's funded exclusively by grants from the County and that the Enterprise Funds for the Water and Sewer are essentially funded by users of the system.

Jeziorski stated sure, I just wanted to point out here, specifically, what's going to be depreciated. So, you see those depreciation numbers jumping pretty substantially. Here's the actual fixed asset associated with that project. So for the water system, we'll have a water tower being depreciated in 2016. The fence at the Water Treatment Plant, the forcemain item, Lift Station #1, a lateral gravity sewer line is a sewer item, a lateral water line will be a water item, water stubs will be a water item, the actual software to run the utility system is a water item, and another utility hand-held. Those things combined are the reason why the depreciation is jumping and they are all associated with that project.

Ronning asked is the engineering depreciable? Jeziorski stated yeah, it is captured within those too. So, you'll see that there's an actual cost right here and then there's an engineering component, and then there's the total. That's just an accounting standard that either allows you to do that, or mandates that you do that. Ronning stated that's interesting, it's almost, to me, like buying stamps or something. You have to depreciate every little element. Jeziorski stated yeah, it gets to be a little cumbersome but our threshold for certain things, it's \$5,000. For others, it's a little bit higher.

Ronning stated for my information, for anybody else that's interested, business depreciates something and they write that off against their assets, where we have to account for somehow in cash flow? Jeziorski stated we basically have two different systems the way

we do it. The General Fund actually does not depreciate anything. It's kind of an off-the-books entry but for our Utility Funds, they are actually treated like a for-profit entity would do it. So, they're actually depreciated and you actually see that on the books. It's kind of a little bit confusing. Our General Fund assets that we capitalize are kind of done off-the-books and you don't really show that. When we go over the General Fund budget, we don't show depreciation. Then when we show the Enterprise budget, we actually show the depreciation. That's just the way governmental accounting is because one of them is like an Enterprise Fund and one's a General Fund.

Ronning stated I think when we talked about the Ice Arena before, there's a certain depreciation costs and we didn't make enough to cover the depreciation. Jeziorski stated that's correct. Ronning stated that's confusing to me. Jeziorski stated the Arena Fund is classified as an Enterprise Fund so it will also show depreciation on that too. Davis stated for our purposes, depreciation is money that you owe yourself. In an ideal world, we'd cover the depreciation 100% and then we'd allocate those funds to another account so we'd have it on hand to take care of replacements or major repairs as required. So, technically, if we have a depreciation account and we don't recover anything, we're still meeting our operating expenses. But, at some point, we're going to pay for that because there will be things that have to be replaced or major repairs have to be incurred that these funds would cover.

Voss stated essentially, it's building reserve for replacement of the equipment. Davis stated that's right. Jeziorski stated and since the infrastructure in the Enterprise Funds is fairly new, or new, it's not as critical to have that balance. Voss stated but it will 25 years from now. Jeziorski stated correct. Ayshford stated and hopefully by then we'll have more customers to spread that cost over.

Ayshford stated do you want to pull up that Equipment Fund real quick and that will be the last thing I need to go over. I kind of went over everything we had for 2016 but I'll give you heads up on what we're looking at 'down the road.' The next really big purchase that Public Works has planned is replacement of our road grader in 2017. That's roughly a \$200,000 purchase. We still have 16 miles of gravel road that we maintain and that thing gets a lot of use. It was originally scheduled for replacement this year but we had to put a bunch of money into the transmission a couple years ago so we pushed it out a little bit further, hoping that we could get some more life out of it. Then after that we start getting into replacement of our snowplow trucks in 2018 and beyond. I think there's one every year after that that's scheduled for replacement. We've got five single-axel snowplows that we are operating right now.

Ronning stated that's the cost of new equipment. Ayshford stated correct. Ronning asked do we sell it. Ayshford responded we do. Ronning stated the old stuff and recover some of it. Ayshford stated absolutely. We sell all of it. Sometimes we trade it in. We can get it right off from the top from the manufacturers. A lot of times, we sell it on a Minnesota auction site called Minnbid. I know the Fire Department sold a lot of their stuff on there as well. We've had pretty good luck getting pretty good value for what we've sold on there.

Ronning asked does that reflect any place in here? In the budget? Davis stated we put that money back in the Equipment Replacement Fund. Ayshford stated we figure out these numbers, some of that estimated salvage value is thrown into what we expect to have to pay. Nick has a whole sheet for that too.

Voss stated speaking of the grader, when's the last time we've done an analysis of, because I remember we did this years ago, of paving our gravel roads as opposed to not paving them, knowing we have higher maintenance. Ayshford asked as far as the costs? Voss stated yeah. I remember, probably 5-6 years ago we did a cost analysis. Davis stated 2008 or 2009, we looked at what the maintenance costs were on a gravel road as opposed to a paved street and what the costs were. At that time, the maintenance costs on a gravel road were essentially the same as they were for a paved street.

Voss stated I remember that because we were all shocked by it. Davis stated even though your paved street maintenance costs are expensive, you don't do those as frequently as you do the gravel. You do the gravel almost on a weekly basis.

Voss stated the reason I ask is I think part of the driving reason back then, was the cost of bituminous. Right? Is it worthwhile to do the assessment again to see if perhaps we should start a program of slowly getting these roads done. Davis stated one of the things we would do is we could even set up some kind of a Capital Improvements Program to start a schedule to pave these streets with City participation and maybe some minimal assessment of the property owners. But, it would be something that would be good to consider because 16 miles of gravel road, not only do you have to have an expensive piece of equipment but you also have to allocate several personnel during the week to maintain it.

Voss stated there are labor costs too, which are always going to go up. Davis stated yes, that's correct.

Ronning stated to add to Steve's question, so we know, is there any way to anticipate if the cost of asphalt is coming down with the petroleum costs changing? Voss stated well it came down two years ago. Ayshford stated it's been about the same since then. There hasn't been a huge drop in it. We've seen better bid prices come from contractors, overall, for work. But, the actual costs for the per unit asphalt hasn't changed all that much.

Harrington stated I'd like to add onto Tom and Steve too. How's Klondike holding up with all that rain we had. Is that chemical probably gone now? Ayshford stated the chemical is still actually in there. We bladed it yesterday. We tried to hold off as long as we could and it got pretty rough there after about four weeks to a month after we put it down. After it rained the other day, we drove on it and it's actually in pretty good shape from the rain. I was surprised. We did grade it and it does hold some of the dust down but it's not like it was when it first went down. Any other questions for Public Works?

Voss stated do we want to go ahead and do that assessment, analysis, like we did last time? Ayshford stated we could do it with the Road Commission and bring it to City Council. Davis stated I think it would be worthwhile to look into it again and then just explore the possibilities of setting up a proposed priority for paving and some type of formula for funding of activities.

Voss stated it's got to be one of the more common complaints that we get, is the dirt roads. You hardly get any complaints from the paved roads except for me with all the chips. But, we don't get too many complaints about paved roads.

Ronning stated from what we heard earlier, it's 2016, I think, when bond payoffs come. It's about \$1.8 million, that's a lot of road. Wasn't it? The bond cost that will be saved is about \$1.8 million? Jeziorski stated that was just the principal that's going to be paid in 2016.

Ronning stated but we won't have to pay that cost in the future so that's something that could be used for streets. Voss stated well right, I think using the model we have of, as Nate suggested, like the Equipment Replacement Fund. If it's worthwhile to set up a Road Replacement or however we want to term it, that we fund every year. Or, maybe don't do repave roads every year because, my impression is that other than Klondike, most of them are fairly short runs. Ayshford stated I think the longest one might be up to about one-half a mile.

Voss stated they're scattered all over. Ayshford stated they are spread throughout the City. Voss stated it's one thing if they're in one part of the City but you're sending a grader over the entire City. They put more miles on driving to each of these places than they do the actual grading.

Davis stated when you consider the logistics of the grader, we go from the Ham Lake corporate limits down at Coon Lake Beach all the way up to 241st just south of Cemstone and then east and west. Ayshford stated actually all the way up past Bethel now with that little stub we do up there. Davis stated when you count it, the travel times probably greatly exceed even the work times on that piece of equipment.

Voss stated \$40 an hour or whatever the cost of labor is, that adds up if we're constantly grading. Ayshford stated the City's current policy is in order for a neighborhood to get paved, they have to get a petition from the neighborhood to bring in and every summer I get quite a few calls from different neighborhoods where some residents want their street paved and they're willing to have the assessment and pay it but they can't get enough people in the neighborhood to do it so none of them have actually.

Voss asked when's the last time we actually paved a road? Davis stated I think it was probably the first year that I came here in 2006. Voss stated yeah, it's almost ten years. Davis stated and we had a couple of others that were close to meeting the requirements for the number of signatures on a petition. Naples was almost twice. Voss stated yeah, that's right, it came up twice. Davis stated what we can do in this, we can actually look at our process or policy for paving roads and if the City can come up with a way to fund some of it and assist some of these, it may stimulate some of these projects to get done.

Ronning asked what was that study that you mentioned? About redoing? Voss stated the question came up because I think I was on Roads at the time, I think I was the Roads liaison when we did this, was question there's a cost of paving one of the gravel roads, say it's a 20-year life on a road, versus the 20-year cost of maintaining a gravel road.

Ronning asked what's the break even? Voss stated it came out actually better to keep it a gravel road from a dollar standpoint. That's what I remember. Davis stated it did but the cost of maintenance over the time of that, not the cost of paving, but the cost of maintenance between a paved street and a gravel street is essentially equal, which was kind of surprising. Voss stated yeah, that part was surprising too.

Ronning asked how much infrastructure do we have that we're responsible for? And, is there a cost even assigned to that? Voss asked what do you mean by 'infrastructure?' Davis asked street mileage? Ronning stated well streets. Davis stated we have approximately 138 miles of streets/roads in the City that are City streets. Sixteen miles of them, as Nate said, are unpaved.

Ronning stated utilities are all new for the most part. Davis stated utilities are essentially new and it's a very small amount. They're concentrated in Whispering Aspens and along Highway 65, 22, and within the Classic Commercial Park. Voss asked you said 138? Davis stated 138. Voss asked does that include the 16 miles? Davis answered that includes the 16. Voss stated so we're looking at roughly 15% of our roads are gravel. Davis stated yeah. Voss stated that's not bad from a percentage standpoint but when you look at a 48 square mile City, like Jack was saying, these roads are everywhere. It would be one thing if it was just the northern part of the City.

Davis stated we're essentially comparable with St. Francis and Oak Grove in that respect, in terms of mileage per square miles. St. Francis has, believe it or not, quite a number of unpaved roads, maybe as much mileage as we do. Voss stated Ham Lake is what I would compare it to because it's along the 65 corridor and we're more developed than Oak Grove is. In some respects, we're more developed than St. Francis is. So it would be interesting to see if we can do a comparison, find out from Ham Lake. Ayshford stated I think they have around 155 miles of roads. Voss asked how much gravel road do they have? Ayshford stated very little, not nearly as many. Davis stated I'm thinking, and I would have to check this out, I almost hesitate to say it, but I think they have just a little over a mile of paved roads. Voss stated I can't remember, I know there's a couple dirt roads off Lexington.

Davis asked do you think that would be accurate Nate? Ayshford stated what they did is used millings on a couple of them that were long stretches. Naples between Constance and Bunker is a couple mile stretch. They recently just reground that too back into gravel so they grade that a couple times a week.

Voss stated they changed their assessment policy about ten years ago too, didn't they? They're no longer assessing. Ayshford stated correct but I'm not sure about gravel upgrades if that one was changed or not. They no longer assess for reconstruction of neighborhood streets. Ham Lake, a long time ago, one of their mayor's big items in the 80's was to pave the gravel streets in that city.

Ronning stated you started to say something about assessments or something? Voss stated in Ham Lake they changed their policy, I think when you were there, they changed their policy from assessing to not assessing. Ayshford stated correct. Voss stated we don't assess for our reconstruction either. Davis stated no, we don't assess for any MSA or even any of our street capital work that we do on existing paved streets.

Voss stated so it would be interesting to find out, in this evaluation, what total costs would be to get these 16 miles of road paved. I think we keep Klondike out of that or have it separate because that's kind of another issue. But, find out what that total cost would be and then look at it from a ten-year window. What would be the ten-year cost to get all these things done. Maybe it's a palatable number that we can start funding for.

Davis stated like you say, Klondike is a special circumstance because of the area that it traverses and a higher associated paving cost because of the actual higher traffic counts and higher speeds. Voss stated it's not only that but what held it up years ago was the fact that it's a lot of developable land that road could be paved by future development rather than through City tax dollars. Whereas, the other roads are pretty much, I think they're all in developed areas. Ayshford stated yeah, and they're mainly in all rural sections. To do Klondike, it's a lot higher design standards that have to be met too because it's an MSA

road. Voss stated that will be a major route, that's a collector route right there.

Davis stated the next is the Planning and Zoning Department budget and the Building Inspection budget. Colleen couldn't be with us tonight, she's on vacation. The proposed budget for Planning and Zoning is projected to increase to \$275,600. That's an increase of \$6,000 over last year with the basic reason for that increase being that all three employees that are within that Department are eligible for Step and COLA increases. 99% percent of that budget is wages, salaries, and benefits. 1% is essentially operational costs. In that wages, salaries, and benefits too is also professional services fees, which are fees allocated, essentially, for the maintenance of our GIS system.

Davis stated under the Building Inspection Department, we're requesting \$253,400 as the initial request for the 2016 budget. This is a \$15,000 increase over the 2015 budget. Again, \$9,000 of that is basically the fact that those employees there are eligible for Step increases and the COLA increase. There are no plans to replace the two Building Department vehicles at this time. I think in the Equipment Replacement Schedule, one is listed for 2017 but I think we can extend the life of that one for at least another year. Are there any questions about any of the line items or any of those requests for those two Departments?

Ronning stated when we have a line with full-time employees regular and overtime, that's all in fringes? Davis stated correct. Ronning asked are they included in the overtime cost? Or, that's paid in the regular? Davis stated actually, there's essentially zero overtime in any of these departments. What we'll do with the hourly wage people or the union people that are in there is if they work overtime, we'll try to do some kind of flex schedule. So if they had to work an hour over then they'd start maybe an hour later the following day, however the schedule permits to keep those costs to a minimum.

Ronning stated the question will go for any of the departments. The benefits cost is all made up in straight time? And, the overtime, is any of the benefit cost allocated to overtime? Davis answered no because what we essentially do is keep that overtime to basically zero. Ronning stated not just on here but on Street Maintenance, on any place? Davis stated on Street Maintenance, essentially the benefit cost is basically done for straight time. Most of them are fairly fixed, like the cafeteria contribution is fixed. The PERA's based on wages so that's reflected also in that overtime category. But most of it's based just on straight time. Ronning stated it would have to be. You could never forecast overtime. Davis stated no, and again, the biggest overtime category we have in any budget, is in the Street budget and traditionally we estimate probably lower than what it normally is. Last year we were fortunate that we didn't have to use a lot of that. But, estimating overtime budget is probably the most difficult thing you have to do because it's solely based on speculation.

Voss asked what's next? Davis stated the Finance Department. Jeziorski stated the Finance Department really has a status quo budget. Our budget is increasing by 3% from \$234,200 to \$241,400 and that is solely made up of the COLA increase and one eligible employee's Step increase. Other than that, it's the same budget as we presented last year. Voss asked questions?

Ronning stated I don't know if anybody else is adding up the numbers, this 2% here, 3%, whatever percents. That's all within their own Department but overall, they seem to be more than what 1.6%. I don't know if there's any that were less than 1.6 so how do we come up with the total 1.6? Jeziorski stated the 1.6 is what the levy is increasing by within

our General Fund. We also have different revenue categories that are obviously increasing at different levels too. Again, some budgets are staying flat, some are actually decreasing, some are going up by 3%, some are going up by 5%. So all together, taking all those things into account, the only increase we need to do to the levy is 1.6%. It's kind of a culmination of everything.

Davis stated a lot of these, like you say the 2-5%, especially those things that relate to salary are isolated only in the wage and benefits section for that portion of the budget. Generally, the operational side of it, especially when you get to Fire and Public Works, have stayed flat. Those are some fairly substantial sums. So, the 2% and 3% is not reflective of their whole budget request and as Mike said, there are places where there are reductions and there are revenue increases. So, the whole thing in aggregate is 1.6%.

Jeziorski stated there are actually four categories that are in General Government that are decreasing: Council is decreasing by 7%, General Government by -3%, Risk Management by -6%, and Central Services by -4%. So, there are some categories where their budgets are actually being decreased.

Voss asked what's next? Davis stated next is City Administration and under the City Administrator's budget, one of the things that's changed under this is we used to have a Deputy City Clerk budget. We consolidated that under the City Administrator budget. We've also included the Receptionist under this budget and also the Cable Technician. So, with that, there's two of those employees that are eligible for Step increases and that's the major portion of the increase of that budget. That budget has been projected to go from \$308,000 to \$318,000, which is an increase of 3%.

Davis stated within that, also, we have an HRA and EDA budget. The HRA, we have no levy. We do have \$26,000 that is transferred essentially from that budget, which is part of this intergovernmental transfer of \$26,000. It's a negative so we take that out of the General Fund. The EDA is a special levy itself, which is not reflected in the General Fund budget. It's levied at a rate of .00183%. No, actually that's the maximum it can be levied. It's levied at less than that, I'm sorry. But, it's levied at the same rate we had last year, \$60,000 of that budget is actually transferred back to the General Fund to cover staff time for economic development and project activities.

Davis stated there's another category in there called 2016 Projects, which is somewhere in the neighborhood of about \$40,000. We've used that money to cover projects, which may come up during the year. For this year, we're using it to fund the GIS system and there may be another project, which we will discuss. Hopefully we'll have time at the end of this meeting to discuss a potential water and sewer extension. The balance of those funds could be used for that.

Davis stated also too we have Legal. Legal is projected to be the same cost as it was last year, which I believe is \$145,000. Engineering is set to remain the same, be flat at \$35,000. Our transfers, we're projecting them to increase by \$5,000 and that \$5,000 would be an increase of the Parks transfer from \$50,000 to \$55,000. The Parks transfer has been reduced from \$100,000 to \$50,000 over the past three years. We'd like to slowly start reestablishing that transfer up to a little higher level. That pretty well takes care of those categories. Are there any questions in any of those budget items?

3.0 Voss stated hearing none? Ronning stated now we got past those questions. The Public

Works and Fire Department had HR budgets and it looked like it's all for drug testing for CDLs. Is there any other HR cost in the system? Davis answered no. We did have an HR account, the only other things would be for, like, safety training, which we do to meet our OSHA requirements. Other than that, that would essentially be, Mike and I are the HR cost. Ronning stated well worth it.

Davis stated again, that's just kind of an overview of where we stand with each of those items. With this preliminary proposal, we're projecting a 1.6% increase, which is well in line with what we had discussed after we had the big increase in 2014. We had that one big jump but we hoped, anticipated, that any increases going forward can be in that 1-3% range. Again, most of this is reflected in things for Step increases, which we still have, I believe, seven employees that are in different stages of that, that are eligible for Step increases. It doesn't mean they'll always get it, but they are eligible so we do budget for it. The 2% raise and a \$43 per month increase in the Cafeteria funds.

Davis asked is there any desire of Council to continue the budget discussion at a later date? Or, how do you want to proceed with this presentation? Koller stated I think this has been pretty clear. Voss stated we have opportunity over the next couple months to bring things up anyway. Davis stated the only action, as Mike outlined in the time schedule, is on our first meeting in September. We do have to approve the preliminary budget, which we will submit to the County. And, even after that point, we can decrease the budget. We can't raise it any more but there can be deductions until the final budget is brought to you in December.

Mundle asked if we really want to, or had to, would there be room to decrease the budget? Or, are we at the point right now that we really don't want to? It's just a question of theory. Davis stated I think if we look at decreases, which decreases are possible, but as I stated earlier most of this budget is tied up in wages, salaries, benefits, contractual items, transfers to other funds, and bond payments. Once you take that out of that \$5.255 million, there's about \$700,000 left. Most of that, the majority of it, is in the operational parts of the budget in Fire, Roads, and Parks. If you decrease that, then you increase some levels of service.

Davis stated the other areas to cut are to look at personnel, if you want to go that route. That's the only thing where you could probably achieve any kind of significant savings. As Mike and I think Tim mentioned too, there are some potentials for further revenues. We haven't accounted for the cell tower lease revenue for the new Verizon tower mainly because we don't know when it's going to be here. We don't want to add anything in that we're not sure of. These are very conservative numbers.

Davis stated the other thing, as Mike mentioned, the LGA funding, we've put the amount in that we had for last year. It may increase \$5,000 or \$6,000 but we're not going to put it in until its certified. But here again, that \$5,000 or \$6,000 is not going to be significant. I think there may be a way to trim it down without being too harmful. We could go back.

Davis stated one of the things we'd looked at and talked about before was things like the newsletter. The newsletter is a fairly expensive thing to publish. We talked about doing it twice a year instead of four to five times a year, which could save us maybe about \$1,500. But, you know, do you get value from that? Is it worth doing that?

goes out, we'll have our first advertising in there for a while. So we're going to try to use ad costs to offset some of the production costs of the newsletter. Again, through, we do have opportunities to bring this up and I would encourage each and every one of you to take a look at some of these things. If you do have suggestions or see areas that you think that might be open for discussion for reductions, please bring them up. We'll certainly entertain that.

Mundle asked so in your opinion, right now, we're at a good basic minimum cost of running the City? That we are providing good services at a minimum cost? Davis stated I think we are and, again, when you look at what are our fixed and our contractual costs, it's still a pretty lean budget. And, if you go back and look at what this budget is compared to what the 2010 budget was, we're almost at the same spot.

Jeziorski stated I would echo that same sentiment. I think this meets our current needs for 2016 and it also doesn't leave us vulnerable for future years. When I came aboard, we had a 15.9% increase. We don't see anything like that happening down the road. So, this is a good balance between meeting our current needs and not creating a vulnerable situation in the future because we are funding our bond payments and things like that.

Ronning stated from my time on the Council it's, I don't know how you can prove it but you can always cut but you have to pay for it someplace else whether it be your Capital Funds, or services, or something. During you guy's time on the Council, we pay for what we get and we get what we pay for. Mundle stated I'm sure citizens ask, 'Is this the best?' Or, 'Can we cut?' We're raising it so just had to ask the question.

Harrington stated personally, I'd like to see a little bit of increase. I'd like to see that. Jack said we're going to put a little bit more in the Parks but I'd like to see more because they've taken a pretty big 'beating.' Voss stated yeah, not even recently. They've taken a beating over the years. The hard thing with Parks is you try to equate it with the rate of development too and the rate of use. So, it's a hard thing. It's more subjective, I think, than some of the other things. This Council's, I'll say it, they've raided those funds before.

Harrington stated they're trying to buy equipment now and you can't get anything for the money they have now. Equipment's a lot more expensive and replacing equipment in the Parks.

Voss stated it's like anything else. To me, if you're setting your dollars and then figuring out what you do with your dollars, you're doing it wrong. You set your priorities first, your wants and your needs, figure out what it's going to cost, and then decide the value of doing that, what you do and what you don't do. I guess my statement to Parks would be, if they want to do more, if they feel there is need to do more, then make that presentation to Council. This is the time to do it. I'm not saying dollars but if there's Parks that we're neglecting because Council hasn't funded Parks as much as perhaps we should have, then we should know about it. From my perspective, that's part of what the Parks Commission should be doing to us, is advising us what things that should be done. Most of the Parks people have been there a long time. They know things cost money.

Davis stated one of the things we want to try to reestablish, here again, was to let the Parks Commission and also the City and citizens know that even though Parks has taken budget 'hits' recently, we're still committed to a strong Parks Program and maintaining what we have. I just want to make everyone aware that this is a way to re-emphasize that we're

slowly going to try to reestablish the transfers and also increase the operational budget, which is reflected in this budget.

Voss stated I applaud the Parks Commission members for the years that Council has cut their funding that they've hung in there and done what they do with the funding they have. Davis stated and again, this isn't the first time. Historically, probably they've been the first source or target when it comes to any budget reductions. Several years ago, when we lost all LGA funding to the tune of about \$180,000, there were some reductions not only in Parks but even the Roads transfers went down. But again, as was previously pointed out, once you make those reductions and those transfers, it's very difficult to establish them back to the levels they were. Voss stated I was on the Council when we made those cuts. Doug, you had something you wanted to say?

Doug Meyenburg, resident and representing the Pageant Committee, stated we have dinner next door. Voss stated that's why I keep smelling food. Meyenburg stated we have a ton of food if you guys want to swing over and fill a plate or just stop over. We've got a whole big table full of desserts. We have more food than people that showed up. Voss asked is there a motion to adjourn? I think we'll be over there Doug. Some of us will. Meyenburg stated okay, the turkey is really special. Davis stated I'll be real quick with these last two items. Voss stated thanks Doug for pushing our meeting along.

Davis stated so again, if anyone wants to reintroduce any budget discussions, just let us know. We'll add it to an agenda Work Meeting, Regular Meeting, whatever you want to do.

Voss stated Parks was canceled this month, wasn't it? Davis replied correct. Parks was scheduled for tonight. So, generally, usually a Park meeting in the summer is cancelled. Voss stated well, they've still got August to come up with something. Harrington stated I'll bring it up to them at their next meeting.

4.0 Other
4.0A.
Utility
Extension

Davis presented the staff report, indicating this is a request for a water and sewer extension from 18511 to 18429 Central Avenue, essentially, from the NACE building to the Snap Fitness building.

This building has expressed an interest to extend water and sewer service south on Central Avenue from the NACE building to the Snap Fitness building. The initial estimated cost for this extension is projected to be \$115,487 for the minimum benefit, that is the lines sized to serve only the four properties identified in the attachment for the service, and \$175,527 for larger lines that would include the trunk costs, lines sized to service the future project area. The difference between these two costs, \$60,040, and would be the charge to upsize the line for future service extensions.

The businesses served by the extension would be NACE, the Tattoo Shop, Route 65 Discount Liquor, and Snap Fitness. Formulas for each individual share are yet to be determined.

Staff is seeking direction from Council as to any interest in offering the extension of the service with one consideration based on \$115,487 being paid by the users of the extension and \$60,040 being absorbed by the City as the trunk cost.

4.0A. Voss asked so all four of these properties are interested and willing to? Davis stated three

of them are definitely interested in hooking up. The Tattoo Shop has not expressed an interest. We haven't had any conversations with them yet as to their desire.

Voss asked they own the building? Davis stated they don't. They rent it. It's owned by a lady by the last name of Danielson. Voss stated so that's who we should be talking to. Davis stated that's correct.

Davis stated at one time, she was interested in connecting to the sewer when we had some of these talks, about two years ago. I don't know currently what her position is. But, NACE would like to hook up. NACE actually has a noncompliant septic system. The system is working. We told them that they could continue the operation of that as long as there was no danger to public health of safety and that we would address their situation based on what decisions were for future extension.

Davis stated this extension of this line would take it down to the Snap Fitness building. The minimum service to service these four properties would be an 8-inch sewer and a 6-inch water. Of course, we don't want to do that because this is going to be the future extension of service going south. So, we'll have to go with a 24-inch sewer and a 16-inch water. I think in order to get some of these extensions done, the City's going to have to perhaps participate in some of the cost. In this case, actually, the cost of the trunk services could probably be assessed to future development, if it were large enough development, and it potentially could be at some time.

Davis stated this would get us in a position also to take the water and sewer east between Route 65 Discount Liquor and Snap Fitness and tie into the future service road plans that we have that would be a cheaper installation rather than going down the existing Central Avenue. It would also open up, within 300 feet, the end of 80 acres of developable property and also get us closer down to the corner of Baltimore Street and Highway 65.

Voss asked since those 80 acres are owned by the same owner as Snap Fitness, they express any interest in putting that line in now? Davis stated they would like to see it down there. The reason for the Snap Fitness is that may be one of the locations that this craft brewer is looking at.

Harrington stated on that \$60,000 being absorbed by the City, did we do anything on the west side to absorb any costs over there? I mean if we do this, the businesses across the road are going to say, 'Well?' Davis stated yeah, we did a lot over there. Actually, the original formula for assessing the cost of that sewer over there included a lot of lateral line charges, trunk charges. But, the Council decided just to do one basic assessment of \$11,500 per lot because of all the cost of connections. So, originally it was estimated with all those charges that the cost per ERU would be \$17,000 including the City SAC, WAC, the Met Council SAC and then those extra costs for the lateral charges and the trunk charges, which would have been about \$8,000 additional per lot. So, those people were accommodated in cost absorption in that way, in my opinion.

Voss stated well, from a purely engineering perspective, we're not going to put in a small line. Davis stated no, absolutely not. I just used that to show what, you know, if they were looking for basic water and sewer service, this is what their costs would be.

4.0A. Voss asked have we given them any numbers yet? Davis stated we've just basically

discussed, these numbers have not been provided to them. We basically discussed some numbers in general and I think the number thrown about was estimated just for discussion purposes of about \$100,000. The owner had some reservations but came back a couple weeks later and said that he would be willing to discuss that.

Mundle asked has there been any interest from any of the other businesses that if this were to go forward, that instead of just digging up the street to serve these couple businesses, that we could then take the time to put more of the line in? Davis stated the only one that's expressed some interest was Route 65 Pub & Grub only if their SAC assignments from Met Council were significantly reduced. Going north of where the current service terminates, which is the Ace building, there are several businesses up there that have expressed a desire to hook up but this would be quite a bit of additional cost because we're going in another direction. This would not be facilitating farther extension to the south. George's Boat Repair has indicated an interest. The trailer sales has indicated an interest. The recycle place has indicated an interest. But there have been a couple places up through there that have adamantly said they do not want the service also. So I think going north at this time is not something that we can look at affording.

Davis stated one of the ways, if this has any interest with the Council, the question is how do we pay for the \$60,000. I mentioned we have some money in an EDA called '2016 Projects.' This may be something that's considered for that. We're also going to be opening bids for the Castle Towers decommissioning work. There's a good possibility that we may have some excess money from that. Those are the remainder of the bond funds and between those two, we could possibly have somewhere in the neighborhood of this \$60,000 to pay for that difference.

Voss stated and that's fine for finding a source for the \$60,000. But, if we're going to set a precedent for these four and then say the next four want to connect, we're going to need at least, politically, to do the same deal for the next ones. So, it's almost like setting a policy.

Davis stated the one difference that may separate this from the situation you're talking about is this would facilitate us developing this line to the south. Voss stated well, I agree. I think once people know this is coming, then maybe others will say, 'Oh yeah, maybe I will now.'

Davis stated and the only three businesses that are still to the south, there's only one of them that's indicated a mild interest to even wanting to be connected. Voss stated and there's one that should be connected. Davis stated yeah, and Dave Carlson owns two of the properties. He owns 65 Pub & Grub and leases that to Brad Slawson. He also owns the building just north of there where the driving school is. The other business is the car lot down there and they have no interest at all in connecting to this system. Voss stated I can imagine.

Koller asked what about the frontage road? If we're going to dig that up, we're going to have to do some work on it. Davis stated there would be 300 feet that would be disturbed that would have to be restored. Koller asked is part of that owned by the State? Davis stated the part that we would be in would be in the City easement, not the right-of-way, but the City easement.

4.0A. Davis stated what we would propose to do there is at some time that frontage road is going

to have to have an overlay done on it. This would be just to patch the section that's disturbed and potentially overlay that whole road within the next two to three years. It will be one of our City Street Capital Projects.

Ronning stated with regard to this extending the system, it's a major cost one way or another. For a small group to pay for a huge cost, it's not a penalty but it's a hardship for sure. Voss stated it's, they're paying for the line in front of their property, which is going to be the same as everyone else will do, correct? Davis stated it is and in this case, the property owners that have the most benefit are located, they have the most line in front of them. In order to determine a formula to assess cost, essentially the NACE building and the Tattoo Shop are located almost directly across from where the service currently ends. It's just a matter of getting the line either to the middle of the road or to a convenient location for them to make a connection. In terms of doing some type of assessment formula, I would image their costs would be 'pale' in comparison to the cost of the owner's for Black Bear Liquor or Route 65 Discount Liquor and Snap Fitness building.

Ronning stated with what I'm thinking, the cost really is going to have to be spread out over a bigger footprint than four people, four businesses. Look at it from this aspect, that if we can't help people hook up by helping them get there, we're going to have to pay for it through taxes to everybody anyhow, assessments, or levies I mean, I'm sorry. You're going to have to raise the levy and everybody's going to have to pay it anyhow just to pay for the obligation. So, there's going to be some value in helping them get connected, making it more available.

Voss stated well, don't get me wrong, I didn't mean not doing it. I'm just saying if we're going to do it, we have to think about it. Ronning stated no, no, I'm putting my 'neck on the line' saying that I think we should all pay for it. The whole community's going to get some advantage to it.

Davis stated if you'll look at this one map, Tom, you'll see where Snap Fitness is located and Route 65 Discount Liquor. That's a common ownership, the same owner owns both those buildings and they're the ones that are actually requesting this service be extended. So, they're currently aware their costs could be \$100,000 and they're willing to discuss the possibilities of paying that amount.

Ronning stated well what we have is 34% and 66% of the \$175,000. We're all going to pay for it sooner or later and to get the return on it, if we help pay for it at a lesser cost, it will balance out, not dollar for dollar but it will balance out to some extent in the amount of money we won't have to, the population won't have to, come up with levied money for debt obligation. Davis stated that's one of the reasons that I just threw that one potential financing scenario out. We would want to do this where there is no levy funds involved. If the City's going to absorb some of the costs, we're going to have to find a way to do it without levy funds. Ronning stated or some Capital Funds someplace.

Ronning asked what kind of ERU SAC charge hits would they get? Is that included in the \$175,000? Davis stated no, that's not included in that. As far as the SAC units assigned, I'd have to look that up. The Snap Fitness building, depending on what goes in there, could have, I'm not going to say because I may be way off. But, you know the Black Bear Liquor, the Route 65 Liquor probably one or two. The Tattoo Shop would be probably one, maybe two. NACE would be one maybe two at the most.

Ronning stated I think Brad said Route 65 would be like 26 or 27. Davis stated yeah, that's correct. I think that's what their assignment was. Ronning asked is it Charles David or David Charles? He personally told me he would shut the place down, there's no way in hell he's going to invest that kind of money. Davis stated like I said, they said they'd be interested in connecting if their SAC assignments were significantly reduced. But again, we're not proposing to go down that far.

Ronning stated this is a very interesting thing but how you approach it is, to help make it work. It would be \$46,000 if you did the 11 5 compared to \$115,000, or I'm just trying to think of some way to make it more palatable so other people will think, 'Well, we'll get on there. We'll have to some day.' We've got to make it a lot easier to 'chew.' Right now, it can't even be 'swallowed.'

Voss asked Jack, what direction are you looking for tonight? Davis stated I'm just wanting to know if you want me to approach this owner again and tell him that there's avenues or room for discussion, that the City would potentially consider the difference between the minimum line size cost and the upgrade to service future project areas that are south of here.

Voss stated I still don't know if you want to use that as the bellwether on determining what the difference is because if there's only one of them asking for it, then it's a smaller line even as opposed if there were ten asking for it. The lines are sized differently. I think everyone's going to understand that.

Davis stated even if one asks for it, the minimum line size that you can have is an 8-inch sewer and a 6-inch water. That's the minimum regardless. And, essentially, that would serve 300 or 400 people. But I guess to maybe kind of simplify it just a little bit more, are we interested in looking at assisting extension of some of these lines by maybe paying for the upgrade in cost for these shorter extensions? If this were an extension to go down to say Ham Lake and it was 2,000 feet, obviously the difference, we couldn't make that up. But, in order to facilitate the incremental extension of these lines, this may be something to consider. It's 300 feet here, maybe the next time it's 400 feet, and then there's another 400 feet for extension and then all of a sudden, we've actually gained some fairly good length in extension of the system as a whole.

Mundle stated well, the City did put the system in to serve businesses. That's one aspect.

Voss stated I agree the message to the businesses is yeah, we definitely are interested in that and then we've just got to figure out. I think at least from what I can gauge here, there's interest in providing a level of assistance. Mundle stated yeah, at least talk about it. Voss stated it's just to what level and how do we determine that because like I said, I think it's going to set precedent in how we deal with others too. We set a policy for the west side for those. Are we going to apply that here and provide the five-year loan program for this side of the highway too?

Davis stated I think one distinction with the west side too is all those businesses were required, mandated, to hook up and connect to the system. Here this is more of a voluntary thing. Voss stated right but it also, I think we have a desire to get the east side hooked up too. Davis stated we do and we have to recognize the fact too that any future extensions, anyone we go past, is going to have to hook up in order to pay for this thing.

4.0A. Voss stated it's like what Tom said, and maybe I don't agree to the full extent, but the City

as a whole, there is benefit and some duty. Even back when we were contemplating this 10, 12 years ago, we recognized that fact too. There's a benefit to having services and jobs and stores and everything else to the entire community so why should not the community as a whole contribute. Now, you can argue that we are right now with our levy.

Ronning stated this is an 'apples' and an 'oranges' loose comparison but everybody will pay for paving Klondike. There won't be three or four outfits to pay for that. Voss stated well hopefully no, developers will do Klondike. Ronning stated part of what this is going to turn into is perception as far as business friendly. How much we help or stick it to them. Voss stated yeah, and the Osborns have been very supportive of everything the City's been doing all these years. And, they've got some financial gain there to happen because they have land out there but still, they've been part of this process for a very long time.

Ronning stated I think the more good press we get out of helping businesses would reflect pretty heavily on the community. Voss stated yeah. Harrington agreed. Mundle asked is that enough direction?

Davis stated let me kind of summarize what I feel you're telling me. I think what I would like to do is sit down and have a discussion with Doug. Just bring these costs up to him and tell him that there's nothing 'set in stone' and see if he's agreeable. Number 1, I want to make sure that we have something that we can even discuss. In concept he said it but now sometimes when you lay it out on paper, there may be a change of mind. But, let me have a discussion with him and see if he's agreeable to discussing this further.

Ronning stated just because you're shopping doesn't mean you're buying. Davis stated that's correct. All right.

4.0B.
Fee
Schedule

Davis presented the staff report, indicating in looking up some of these things that we've undergone with some of these smaller subdivisions recently, we've uncovered some, what I consider, some major discrepancies in fees that developers and subdividers are going to be paying for, Park Dedication Fees.

Our Current Residential Parks Dedication Fee is:

- Up to 6 units/acre: 10% of land or cash = to market value of land;
- If 6 or more units/acre: 10% of land = 1% for each unit over 6 units per acre or cash = to market value of land.
- In no event shall the cash in lieu of land payment exceed \$6,000.00 per residential unit.

In checking with some of our neighboring cities, we find that residential Park Dedication Fees per lot range from approximately \$1,500 to \$2,500 per lot.

In regard to this, we may want to consider amending our Fee Schedule, number 1, to kind of stay competitive with some of our neighbors. But also too, in regard to smaller subdivisions, i.e., like the Jim Malvin subdivision that we approved at the last meeting where the land value of his property was \$104,000 so according to our formula, he would owe \$10,400 in Park Dedication Fees or essentially \$3,500 per lot.

4.0B.

If you take that in comparison to Viking Preserve, which has 46 lots and a land value of \$240,000, their Park Dedication Fee comes out to \$520-some dollars per lot. I think some of the formulas we have now for determining these Park Dedication Fees probably penalize people like Mr. Malvin. Also too, in the creation of one of his lots he also has an existing

residence on it.

Voss stated that's always been an issue. Davis stated I don't think that it's fair to charge an existing residence a Park Dedication Fee. They've been here, they've been paying taxes. So, I'm wondering if you want to look at this and let us come up with some type of proposal for discussion.

Voss stated let me ask this Jack, because I think you were here then. Years ago, we had a flat fee. I remember we had a flat fee per lot and then, and maybe I'm wrong, but I thought we had found out that we were doing it wrong and by law we had to go to the 10% of land. I thought we were driven to do that. Davis stated I would have to check on that to be sure. Voss asked for all these other communities, these are all flat rates? Davis stated Ham Lake does have a percentage. They have a percentage formula. Theirs is a rather complicated thing but then their maximum fee is not to exceed \$2,500 per lot.

Voss stated I seem to remember that because I didn't agree with the whole 10% thing. Just because it's a more valuable lot, people are going to use parks more? It doesn't make sense, you know. The whole idea is to bring more people in, they should pay for part of a new park and it should be a flat per lot. Davis stated I really don't care about, the 10% is fine but I think we should look at lowering what our maximum charge is. Now, it's at \$6,000, it can't exceed \$6,000. I would actually propose that we look at changing our maximum to \$2,000 or \$2,500.

Voss stated I think you made a good example with Viking Meadows. They're only paying \$500 per lot. That's like dirt cheap when it comes down to a Park Dedication Fee. Davis stated it sure is. Voss asked why aren't they paying \$2,000 per lot like everyone else is paying \$2,000 per lot? It's the same amount of people that's going on that lot that's going to use our parks. You know?

Ronning stated he's interested in high-end housing so if your houses are that much more and your cost is that much less for the park. Voss stated no, it's the same. Ronning stated yeah, proportionately. Voss stated a \$150,000 house or a \$400,000 house, it's the same theoretical park usage.

Davis stated the value is based on the land prior to the subdivision. Essentially, though, what you're saying Tom, it really even exacerbates the problem because you're having a higher priced home, which is actually paying less. Ronning stated you might as well say that the owner's going, you got \$6,000 in park assessment. If you're trying to get into a \$25,000 lot, that just became \$31,000. Now you've got to, you're trying to sell a starter home or affordable home on a \$25,000 lot and you just jacked the cost up that kind of money. You might as well say it, the lot cost goes up that much. Voss stated yeah, the developers are always going to pass it on to the development costs. But Malvin cost what, \$4,000 a lot as opposed to Viking Meadows is \$500 a lot. Now, where's the equity there? Davis stated yeah, there isn't.

Davis stated I'm not opposed to the 10%, I think it's fine because what the 10% does, you know on some land with higher value, it may even that out. My concern is the fact that we allow, we can charge up to \$6,000 per lot. In some of these little smaller subdivisions like Jim Malvins, if the property was valued at \$150,000, he'd be paying \$5,000 a lot for Park fees.

4.0B.
Fee
Schedule

Voss stated I agree with having an upper limit on it. I think before we go too far with it, is talk to Mark Vierling. I seem to remember years ago that we had to change this because of challenges that were happening from developers on Park Dedication Fees, that we had to change the way we did things. I remember it was some odd number of \$625 per lot or something we used to charge back 15 years ago. So, let's make sure it's legal whatever we change.

Davis asked if there is no Statutory requirement for this, is it something we'd like to add to the Council agenda? Or, how do you wish to proceed with this. Harrington stated I think it would probably bring more development and help with development with a lesser Park Fee. If you're going to go \$6,000 you can go to Ham Lake or someplace else. Koller stated yes, that's ridiculous. Harrington stated I'd go somewhere else. I'd say bring it down.

Davis stated as far as impact on our budget, keep in mind too that we haven't collected a Park Development Fee since 2008. Voss stated until last week. Now we'll get one or two. But, I also agree if we're going to change the policy, if there's a lot split with an existing house, that existing house probably paid, I know with Jim Malvin, they paid a Park Dedication Fee for that. Now he's going to have to pay twice. To me, that's just wrong. So, I think we need to change our policy there. Ronning stated amen.

Voss stated there was a Council Member years ago, that fought that 'tooth and nail' because he wanted as much funds for Parks as we could.

Davis stated with your authorization, I will research the matter to see if there's any statutory requirements that dictate that we utilize our current policy and then we'll propose something for your discussion at a later meeting.

Koller stated sounds fine to me. Voss stated if it's doable, I think we should look. If it's doable, we should look at a flat fee. Koller stated yes. Voss stated whether it's a 40-home development or a 4-home development, they all have equal contribution to pressures on parks. That's, I think, the spirit of what it's meant for.

Ronning stated I have no idea where the Parks are, but I hear complaints about Parks that are never being used. Voss stated that's why we stopped making, when development was really going 'hot and heavy' back in the 1990s, we were creating Parks at every development. We'd get a little Park out of it. But, we wouldn't outfit the Park, that was the funny thing. It was up to development to build the Park equipment.

Harrington stated there's 17 Parks in the City. I didn't know we had 17. I would never have guessed 17 Parks. Voss stated they don't all have something on them. Davis stated they all do with the exception of one and that's the one over, I call it the Clarence Anderson subdivision off Wild Rice Drive. There's a ten-acre City Park there that's totally undeveloped. Every other Park does have some type of equipment or facility on it.

Voss asked Whispering Pines, is that the one on Rendova? Davis stated that's Whispering Oak. Voss stated that neighborhood built that park. Davis stated the one on 7th Street, Northern Boundaries, that was built by donations of the neighbors. The one that's Deer Haven was built by donations from the neighbors. Quite a few of these outlying Parks, like you say, were built by people who collected their own money. Some of them actually have some funds left over, they're lying in old bank accounts. Deer Haven's one that we discussed that has \$860-some that they're going to come up and donate that back to the City

4.0B.

Fee
Schedule

because that thing is eventually going to disappear just because of bank fee charges.
Harrington stated bank fees, yup. Voss stated okay, is there anything else?

5.0
Adjourn

Harrington stated I'll make a motion to adjourn. Mundle stated I'll second. Voss stated any discussion? All in favor say aye?" **All in favor.** Voss stated opposed? Hearing none motion passes. **Motion passes unanimously.**

Meeting adjourned at 8:34 p.m.

Submitted by:

Carla Wirth

TimeSaver Off Site Secretarial, Inc.