

**MINUTES OF THE COMMITTEE OF THE WHOLE MEETING
OF THE ZIMMERMAN CITY COUNCIL
MONDAY, AUGUST 27, 2018**

CALL TO ORDER

Mayor Earenfight called the Budget Workshop to order at 7:00 p.m. at City Hall, followed by the Pledge of Allegiance.

ROLL CALL

Present: Mayor Earenfight, Council Members Mathison, Shepard and Whiting. Member Brisbin was excused absent. Also present were Administrator Piasecki, Clerk/Treasurer Tillmann and Public Works Director Koehler.

AGENDA APPROVAL

Mathison/Whiting unanimous to approve the agenda as presented.

OPEN FORUM

There was no one present to address the Council during Open Forum.

ORDER OF DISCUSSION

2019 GENERAL FUND BUDGET & LEVY

Mayor Earenfight stated that regarding previous years' budgets, Council felt an obligation to keep tax rates as low as feasibly possible because the City lost so much property value between 2006 – 2010. In an attempt to not increase taxes for property owners, budgets were cut, maintenance items were delayed, and employee wages were frozen from 2009 – 2013. Property values have started climbing again, which has given the City the ability to do some things that were delayed for several years like pavement preservation, purchasing new plow trucks and committing additional monies for future capital expenditures. Piasecki added that during those lean years, the City lost approximately \$300 million in property value and it has taken nearly 10 years for property values to get back to 2006 levels.

Tillmann began the budget presentation with a broad overview of the preliminary 2019 Budget and Levy. The General Fund budget was drafted using the Budget Guide provided by the League of Minnesota Cities. Council was reminded that staff is only presenting the General Fund budget at this time. Water and Sewer Fund budgets would be presented after the preliminary General Fund budget and levy is certified by Council in September. Tillmann reviewed the budget in further detail with Council, referencing the detailed staff memo and budget spreadsheets that were included in the Council packet.

2019 Revenues

The 2019 preliminary revenue budget totals \$2,729,935 a proposed increase of \$34,186 over the 2018 revenue budget. Revenues include general taxes, state aids, fees, charges for services, permit fees, lease revenues and special levies. Certified Local Government Aid (LGA) for 2019 equals \$535,785 which is an increase of \$3,136 over the 2018 amount. Existing special levies total \$68,999 for Debt Service, (2nd Street East Reconstruction and the CH 45 Reconstruction Project), and \$137,000 for future Capital Expenditures, which can be used for future road improvements and large equipment purchases.

Currently, staff is presenting a preliminary tax levy of \$1,388,000, which is the same as the 2018 tax levy. Council can increase or decrease the proposed levy amount before preliminary certification at the September 17th meeting. Once the preliminary levy is adopted, the levy can only be decreased prior to final certification in December. This can be done by reducing expenses, increasing revenues, or using uncommitted cash reserves as a budget balancing tool.

2019 Expenses

Proposed expenses are projected to increase over the 2018 level by 1.05%, which is equal to a \$28,315 increase. The preliminary General Fund Expense budget, which includes department operation expenses including personnel, 2019 pavement preservation, the commitment of capital reserve monies and existing debt service payments currently totals \$2,714,139. Tillmann noted that the 2019 expense budget is affected by the following items:

- A scheduled increase to the Sheriff's Department contract of approximately \$19,000. The final amount of the change will be determined upon completion of County union negotiations and could be more or less than the anticipated \$19,000
- An \$8,000 increase in the Fire District Contract
- Increase in Building Inspection related expenses of \$9,300 due to increased permit activity and State surcharge fees
- Increase in General Engineering of \$5,000 due to increased development activity in 2019
- Increase of \$7,500 to the City Hall budget for proposed building repairs and improvements
- Decrease of \$12,700 in Elections as 2019 is not an election year. Staff anticipates a significant increase in the 2020 Elections budget due to a projected addition of a third precinct and associated equipment costs to add a third polling place. Further research and information will be provided in early 2019.
- A decrease of \$10,000 in the Council budget as the Classification/Compensation Study will be completed in 2018
- A 10% increase for employee health insurance premiums, as suggested by the City's insurance agent. Council should discuss the contribution amount and whether the City will maintain the current contribution rate for employee health insurance.
- Administration suggested 10% increase to overall employee wage budgets, which includes a recommended 1-step wage increase for eligible employees and a 3% Cost of Living Adjustment (COLA) for all employees, plus budgeted funds if the Springsted Classification/Compensation study recommends position increases effective January 1, 2019, should Council adopt and implement the recommendation.

Tillmann advised that the city will have until September 30th to certify the preliminary budget and levy to Sherburne County. Council will have ample opportunity to review the budget in detail during upcoming meetings. Pending the outcome of discussion at this meeting, revisions will be made to the budget as directed by Council. There will be review of the budget at the regular Council meetings in September. If Council does not adopt the preliminary budget on September 17th, a Special meeting would need to be held to approve the preliminary budget prior to September 30th.

Once the preliminary budget and levy are adopted, staff will work to review and amend the budget based on direction provided by Council. The preliminary budget and levy numbers will be provided to the Sherburne County Auditor/Treasurer's Office once certified in September. Between November 10 and November 23, the County Auditor will send the notice of proposed property taxes to each taxpayer in the county. While the City is no longer required to hold a Truth in Taxation hearing, we must hold a Public Comment Meeting, which historically has been held at the first Regular Council meeting in December, with adoption of the final budget and levy at the second Regular meeting in December. The final budget and levy cannot be adopted until after November 24, and Council must adopt the final 2019 budget and certify the final tax levy to Sherburne County by December 30th. As a point of information, the Sherburne County Board will hold their Public Comment Meeting on Monday, December 10, 2018 at 6:00 p.m.

Public Works Director Koehler detailed some of the changes to the Street and Park Department budgets. Koehler would like to make some improvements and updates to the playground area at Lions Park and continue with the concrete fence project in the park area. The civic building is also in need of improvements, including replacing the compressor on the freezer in the building. Discussion was held regarding rental fees for the building use. Koehler added that the building could use a new roof and the addition of overhang on both ends of the building, however, the budget only covers the building maintenance and no capital improvements. Council requested Koehler solicit quotes for proposed improvements to the building for future budget discussions.

Discussion was held regarding staffing in the Public Works Department due to the retirement of Dave Johnson and subsequent promotion of Koehler to Public Works Director. Staff has budgeted for a replacement of the Operations Coordinator, however, how the vacancy will be filled has not been determined. Koehler stated that replacing the vacancy with another Maintenance Technician instead of the Operations Coordinator may be more advantageous to the Department. More discussion to come.

Administrator Piasecki advised that currently the levy is proposed at the same amount as 2018. With the increase in property values, levying the same amount would likely reflect a decrease in the City's tax rate for 2019. This situation would allow Council to levy additional monies to be committed for future capital improvements without a significant increase to proposed property taxes. Council will see an updated Capital Improvement Plan later this fall. Council will discuss the proposed budget again at the September 10th Regular Meeting.

Before adjourning, Mayor Earenfight asked for a moment of silence in honor of military personnel and their families at home and abroad.

Mathison/Whiting unanimous to adjourn the meeting at 7:52 p.m.

Approved this 10th day of September 2018.

s/s Kary Tillmann, City Clerk/Treasurer

Approved 09/10/2018