Brainerd, MN
September 11, 2013

Pursuant to due call and notice thereof, the adjourned meeting of the Brainerd City Council was called to order at 5:00 P.M. by Council President Cumberland in the City Hall Council Chambers.

Upon roll call, the following members of the Brainerd City Council were noted present: Borkenhagen, Koep, Pritschet, Scheeler, Parks and Cumberland. Mayor Wallin was also noted as present. Noted absent was Alderman Bevans. Note: Alderman Bevans arrived at the meeting at 5:10 p.m.

Council President Cumberland noted that the purpose of the meeting is to adopt a resolution setting the City's preliminary 2014 levy. It was noted that by State Statutes, the preliminary levy has to be certified prior to September 15 and because the next regular scheduled council meeting is September 16th, it is necessary to hold the special meeting for this purpose. Council President Cumberland stated that the preliminary levy as adopted at this meeting can be lowered (but not increased) when the final levy is adopted in December of 2013.

The Chair called on City Finance Director Hillman who presented the following budget information:

The 2014 budget as presented is an un-balanced working funds budget reflecting $698,877 of expenditures over revenues.

Current estimated revenues are $327,565 **less** than adopted/amended 2013 revenues with the major factors as listed below:

- Less Tax Revenue for General Fund because of the estimated increase in the mill rate (estimated at $10,500).
- Less revenue from building permits, airport security, court fines and miscellaneous revenue estimates.
- Less revenue form BPU due to the Wausau closing

Finance Director Hillman noted that the proposed document does not currently include the $382,579 of increased 2014 Local Government Aid.

Department requested expenditures in the working funds are $371,312 or 4.3% **more** than the 2013 adopted/amended with the major factors as listed below:

- Personnel: The proposed budget is down one FT staff (layoff of 2 Fire Equipment Operators, add new Street & Sewer Employee), an estimated amount for unemployment, increase in health insurance costs, increase in temporary employees (election year), change in salary allocations, and increase request for overtime. Also the employer's share of police and fire PERA rate increases from 14.4% to 15.3%
- An increase in budgeted capital and transfer out items.
- Increased request for motor fuel and repairs and maintenance supplies.
- Effective June 1st 2013, there was a change to the way the City's general liability insurance premium is calculated and resulted in a change to how the premium is allocated out among the working funds. The 2014 budget information reflects these changes and an estimated increase of 3% to be effective in the middle of the year.

- There is also an estimated salary escrow for 2014 union contract settlements.
- The amount of sales tax that the City will save on utilities due to the new sales tax exemption law for cities effective January 1st is estimated at $25,000 savings.

Finance Director Hillman noted that at the budget workshop held in August, there was consensus to increase the debt service levy from $1,500,000 to $1,700,000 in order to move forward with our strategic plan initiative of Enhancing Stable Financial Planning.

Part of that workshop discussion was also the necessity to issue Equipment Certificates to purchase needed capital items. The proposed levy includes $200,000 for principal and interest payments in 2014 for these certificates.

Finance Director Hillman noted that the 2014 proposed levy is an increase of $500,000 or 12.6% over the 2013 levy. $400,000 of the increase is for debt service and $100,000 is for the General Fund Levy. ***The sole reason for the $100,000 increase to the General Fund levy is to make progress towards obtaining the goal of reaching the minimum fund balance policy***. Even with an estimated $100,000, we may still be short of the policy but at least the City Council would be making an effort towards the goal, which is a positive in bond rating.

<u>Administration</u>: The capital item is for software to be purchase to help facilitate long-range planning. This software would be beneficial to the City in meeting its Strategic Focus #2 Stable Financial Planning and the objective of developing a 5 year capital plan.

The change in personnel services is the result of the increase in health insurance premium, employees going through the salary administration plan, and an estimate for a new City Administrator salary and benefits.

<u>Engineering & Planning</u>: The change in budgeted request is due again to the increase in health insurance, estimated workers' comp premium increase, and employees moving through longevity steps. Also, there are no capital requests for 2014.

<u>City Hall</u>: The change reflects an increase of $1,000 in motor fuels.

<u>Inspections</u>: The change in personnel services is again due to the increase in health insurance premiums, employees moving through longevity steps, and includes an additional $2,000 over the amended 2013 budget for a total of $6,000 requested for temporary employee to continue the nuisance program. There are no 2014 capital requests.

<u>Unallocated</u>: The change reflects the estimated savings in utilities sales tax that the City will not have to pay January 1st, and the estimated change in the mill value. The budget also includes $150,000 for salary escrow to facilitate 2014 union negotiations, as well as other miscellaneous items such as the search for the new administrator and dues. The change to the general liability insurance can also had an effect on this fund.

<u>Transfers</u>: The normal transfers for 2014 include a 2% increase request from the airport, $10,000 transfer to the IT Capital fund as discussed last year, and a transfer to the mayor's contingence fund. The transfer to the IT fund is budgeted at $5,000 less than 2013.

<u>Police</u>: The changes in personnel services reflects a maintained level of 24 sworn officers, increase in the PERA rate, increase in health insurance premiums, and an updated amount for airport security, and an increase for CSO's.

The increase in supplies reflects a $3,000 request in motor fuels and $1,000 in repairs and maintenance supplies.

The police department budget took the biggest hit regarding the change in the computation and allocation of general liability insurance and this is the biggest cause of the change in services for the department.

The capital request is for two police cars rather than one. Due to the nature of how the vehicles are used in the police department, the department desires that the vehicles be replaced more often than every three years.

Fire: Although the reduction of personnel services is a result of laying off two FEO's, an estimated amount for unemployment, a $10,000 increase in overtime, as well as an increase in the PERA rate, health insurance and an estimate for workers' comp premiums is included.

The change in supplies is due solely to a $10,000 budget increase in motor fuels. The transfer to the fire capital fund is the amount that was included in the amount of the fire service district calculations done last February.

Animal Control: The Animal Control Officer has requested a $0.10 increase per populous, which equates to approximately $1,100.

Parks: The change in personnel is mostly due to the increase in health insurance and estimated workers' comp premiums, and employees moving through longevity steps. It does however include a $4,000 request for additional temporary seasonal employees. Also budgeted is the assumption that a park maintenance employee will work exclusively at the Street and Sewer department for approximately six months as we have the last couple years.

Included in the Parks budget is a transfer of estimated net campground revenue of $20,650 to the Park Dedication Fund to help fund future park capital projects.

Street & Sewer: The change in personnel is due to the usual items mentioned previously, however, the budgeted amount includes an additional employee with an estimated cost of $67,000, a requested increase of $4,000 for overtime to help facilitate more aggressive weekend plowing, as well as an estimated change in employee allocations from 10% street and sewer to 20%, an estimated increase of $23,000.

The budget does not include any capital purchases, but an increase of $7,500 for repair and maintenance supplies, and an increase as a result of the change to general liability premium.

OPTIONS TO BALANCE THE 2014 BUDGET

Finance Director Hillman noted the following options/ideas for Council to consider in the coming months in order to achieve a balanced working funds budget:

- Include the increased 2014 LGA in the amount of $382,579 in the operating budget
- Purchase only 1 police squad instead of 2 in the operating budget
- Do not purchase the administration financial tracking software
- Do not transfer the campground net revenue to the Park Dedication Fund

- Do not include a new Street & Sewer employee in the proposed budget
- Lower the special projects amount from $55,000 to $25,000
- Decrease the amount needed for Fire Dept unemployment estimates
- Further review the requested overtime and motor fuels Fire Dept amounts
- Determine if the budget could include some utility revenue from the paper plant

OTHER BUDGET INFORMATION

The library's budget came in with approximately $1,500 more of expenses than revenue. The library will either have to use reserves or make additional cuts if the council chooses not to increase the levy for the library.

Per Crow Wing County, we need to use fund balance in 2014 in the recycling fund, thus the negative amount is showing on the recap and is the amount of fund balance to be used.

We are using a little over $5,000 of reserves in the parking fund, which depends on the amount that will actually be transferred to the street department.

Reflected in the EDA Fund expenditures is the request from BLAEDC for an increase in funding from $71,000 to $74,500.

City Administrator Goble reiterated that the budget is a document that will be worked on by staff and council between now and the final adoption in December. The action needed to night is to adopt a preliminary levy and to set a public hearing date on the proposed levy.

Resolution Setting 2014 Proposed Preliminary Levy at $4,453,486

MOVED AND SECONDED BY ALDERMEN PARKS AND SCHEELER TO ADOPT RESOLUTION NO. 42:13 – SETTING THE CITYS 2014 PRELIMINARY LEVY AT $4,453,486 AND THE HOUSING AND REDEVELOPMENT AUTHORITY LEVY AT $115,189 PER M.S.

RESOLUTION NO. 42:13

Upon roll call, Aldermen Borkenhagen, Pritschet, Bevans, Scheeler, Parks, and Cumberland voted "aye". Alderman Koep voted "nay". The Chair declared the motion carried and the resolution adopted.

MOVED AND SECONDED BY ALDERMAN KOEP AND PARKS, DULY CARRIED, TO SET THE 2014 BUDGET AND LEVY PUBLIC HEARING FOR 6 P.M. ON DECEMBER 9, 2013 IN THE CITY HALL COUNCIL CHAMBERS.

The Chair adjourned the meeting at 5:45 p.m.

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Theresa A. Goble
City Administrator