

**City Council Workshop  
Minutes  
October 24, 2011**

Mayor Larson called the workshop to order at 7:38 p.m.

Present: Larson, Bartholomay, Fogarty, May

Absent: Donnelly

Also Present: David McKnight, City Administrator; Teresa Walters, Finance Director; Cynthia Muller, Executive Assistant

**MOTION** by Fogarty, second by May to approve the agenda. **APIF, MOTION CARRIED.**

The purpose of the workshop was to discuss fiscal disparities and the 2012 budget. Staff anticipated a decline in fiscal disparities for the 2012 budget so staff budgeted using the 2010 number for fiscal disparities. The actual amount expected will be \$712,258 more than budgeted in 2010. The Council already asked staff to distribute \$175,000 and recently Council committed another \$50,000 for the EDA to be applied against this. Now the balance is \$487,258. Council needs to determine how to allocate these funds. Staff recommended using the funds for a one-time purchase as staff is unsure how the market value homestead credit will affect fiscal disparities next year. Staff provided Council with seven options:

1. Eliminate the deficit in the recreation special revenue funds (\$120,000).  
This would eliminate transfers, but the funds would remain separate.
2. Eliminate the deficit in the Arena (\$350,000).  
Even if the deficit is eliminated, the arena will need a revenue source for future operations. Staff estimated \$100,000 for operations to break even. The City has not received any funds from Farmington Youth Hockey Association (FYHA) for arena renovations. Mayor Larson asked how the arena deficit got to \$350,000. Staff explained the City does not support the arena with any funds and the arena does not make enough to cover their expenditures. In addition, there were renovations. Mayor Larson stated until we switched how people were allocated to the arena, employees were allocated to the arena when they should not have been. That was switched a couple years ago. We had people working in parks and their salary was going against the arena. He wanted to know if anything was credited to the arena for that. Staff noted currently no one is being charged to the arena that does not work there. Staff can look at that, but it would not clear up the deficit. Councilmember Fogarty wanted to know why we do not have the cheapest ice and cannot break even. She felt it was appropriate to talk to FYHA, as we were supposed to get a portion of their gambling proceeds, not just pull tabs. She would like staff to find a way to get closer to breaking even for operations. She understood that we do have capital expenses. She suggested other arenas are not fully run by the City, so City employees are not used. Many cities have cheaper ice and can break even.

3. Transfer funds to the Equipment Replacement fund to contribute towards a fire truck (\$537,258).  
For a fire truck, they would need a minimum of \$500,000. An explanation was given regarding the condition of the current fire equipment. If part of the truck was funded, the rest would be funded through an equipment certificate. A fire truck is also included in the equipment replacement plan to be purchased in 2014. Option 3 would make the truck available in 2012.
4. Equipment Replacement Plan (\$250,000)  
Utilizing the plan, there would be \$250,000 contributed to the equipment replacement plan in 2012, 2013, and 2014 for a fire truck and other equipment. In 2015 – 2020 \$75,000 would be allocated each year to this plan and in 2021, \$65,500 would be allocated. If Council selects option 3, that would eliminate the need to contribute in 2012 and 2013. Fire Chief Pietsch explained the condition of the truck that would be replaced. With a new truck and a new rescue/pumper that could give us enough points on our ISO rating to lower the City's rating which would lower insurance for the businesses and homeowners. The average homeowner would see a decrease of \$20 - \$30/year. If new equipment was received, an amended review would be done. The City can do an equipment certificate for this piece of equipment without going into the equipment replacement plan. If half of the truck was funded, there would be an interest payment in 2012. The Fire Department has been looking at a demo truck at a cost of \$475,000 - \$500,000. Fire Chief Pietsch also noted the department could use a couple chief's vehicles. There is one assistant chief that does not have a City vehicle and has been responding in his personal vehicle. Councilmember Bartholomay asked about the amount in maintenance. Staff estimated repairs this year could be \$8,000. Finance Director Walters explained the \$250,000 in fiscal disparities would be needed to include replacement of fire vehicles.
5. Purchase a salt storage shed (\$100,000).
6. Keep the money in the budget as a contingency (\$50,000 - \$100,000).  
Last year we had \$45,840 in contingency and it was used within the first couple months. This would be for emergency situations or unplanned events.
7. EDA operations funding (\$10,000) or elimination of the inter-fund loan (\$50,000).  
The EDA decided to use \$50,000 to eliminate the loan.

Councilmember May felt option 1 is important. We need to clean up the deficits and get them back in the general fund. Next she was in favor of option 3. She was not sure about the equipment replacement plan as the immediate need is the fire truck to provide safety to our residents. She suggested using whatever funds are left, approximately \$367,000, and the rest would be an equipment certificate.

Councilmember Bartholomay agreed option 3 is a need and also option 1 as these funds need to be consolidated into the general fund. Option 2 was discussed at a previous workshop and we need to get more funds into the arena.

Councilmember Fogarty stated her biggest problem was she does not know where we are with the preliminary budget and trying to get a budget we can all agree on. Before she would commit any money anywhere she wanted to know where Council is at. Right now we have two Councilmembers who have opposed the preliminary budget and the number, which no one wants, but she has not heard a number that would work. If scraping everything and using the fiscal disparity money for one year, if it would create a 5-0 vote on a budget, she would be willing to discuss it, and use that money to pay for seal coating next year. She asked if there is any number five Councilmembers can agree on to begin with and if so can we get done what we need to get done. Setting up permanent funds is the responsible thing to do. How to come up with that is something Council needs to decide on first before we can decide what to do with this money. She was asking Council to come up with a consensus and unfortunately, one of the opposing Councilmembers was not in attendance. She understood the preliminary number is way too big for Councilmember May. Councilmember Fogarty asked what could be a more workable number. She wanted all Councilmembers on the same page so there is not constantly a split vote on the budget. She felt all Councilmembers agree on the concept of the budget, but getting there is very different. Councilmember May thought all Councilmembers have said the number is too high. Councilmember Fogarty was willing to discuss if we should use this money to pay for seal coating next year and reduce the plan by \$400,000. Would Council be more comfortable with that? It lowers the expectation of tax increases for next year. Mayor Larson stated no matter where we are with the budget, we need a fire truck. Councilmember Fogarty agreed we have a long list of needs and it is a matter of how to approach it. Councilmember May stated that is why she gets frustrated when even talking about a little savings. If we are going to keep tax increases at a minimum, we have to start saying no, or cut some things. We have never had that discussion, so that is why she says no and the vote is split. When the Fire Chief says the back door of the truck is swinging open, then the money has to go there. Councilmember Fogarty agreed, but we also need roads. Both are vital to commerce, the success of the City, economic development, we need all of these things. Councilmember May felt all Council has agreed we need seal coating, it is the other items we are having an issue with. She had thought about using the fiscal disparity money, but now hearing about the fire truck, that is not an option. Mayor Larson suggested paying cash for half the truck.

City Administrator McKnight stated Council agrees on Option 1 and has already selected Option 7, which leaves \$367,000. The fire truck is included in the potential plan. He requested one last workshop on November 15, to tie this discussion together. The open houses will be finished by then and staff needs direction for December 5. November 15, is the workshop where everything will be on the table and Council will give staff direction. Council needs to discuss the entire big picture. There are also two areas of concern for revenue reductions. One is the SRO line item and one being miscellaneous in the amount of approximately \$60,000. He suggested staff come up with \$60,000 in potential cuts in the budget and bring it back to Council on November 15. Councilmember Fogarty agreed without a better understanding and consensus, if we want to go to two-year budgeting, we have to agree on how that plan will work. Right now we do not agree, and she will not agree on one piece until she knows about the other piece, so there are not three votes right now to pass the budget. She requested any suggestions from management and staff.

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Council agreed on November 15, for a budget workshop and all Councilmembers need to be present. At the workshop, staff will use the active budget and direction from individual meetings.

**MOTION** by May, second by Bartholomay to adjourn at 8:22 p.m. **APIF, MOTION CARRIED.**

Respectfully submitted,

Cynthia Muller  
Executive Assistant