

**City Council Budget Workshop
Minutes
November 28, 2011**

Mayor Larson called the workshop to order at 7:00 p.m.

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

Present: Larson, Bartholomay, Donnelly, Fogarty, May

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

City Administrator McKnight proposed \$175,000 in cuts. Some of the larger cuts include:

- Contingency \$18,000
- A part-time Finance position and promotion \$31,000
- Engineering Intern position \$14,000
- Wage adjustments with potential increases which have been reduced
- .5% increase for management team

He reviewed the 2011 budget through October and last year's budget to determine the cuts. The budget will be very tight and we will monitor the budget more than in the past.

Councilmember May asked for an explanation on the management increase adjustment, the HR adjustments, and the Wi Fi cameras. City Administrator McKnight explained regarding the management team and HR adjustment when we started the budget process we made some assumptions on what these increases might be. As the year went on those numbers came down so there was more there than needed from our closed sessions. These are close to where Council will approve them. Those adjustments are not a cut, but less of an increase. The cameras were for the arena. Councilmember May felt these seemed like paper cuts they have seen before. The City Administrator went through the budget line by line, then brought in staff. These are cuts to make up for the increases in 2011. Councilmember Fogarty stated these are more realistic numbers. Councilmember May recalled that is why the \$300,000 was proposed; to make the budget more realistic. Now the explanation is we went too far with realistic numbers so now we are scaling back. City Administrator McKnight noted he does not do fake budgets and we will watch this every month.

Councilmember Donnelly noted in police administration we are reducing natural gas by \$6,000. That tells him their forecast was too high. Staff noted there was room for cuts there.

Councilmember Donnelly stated if we had not done this exercise, at the end of 2012 we would have had this for the fund balance. City Administrator McKnight stated this is a very, very tight budget. If something happens, we will look at the budget. Depending on decisions made for fiscal disparities for 2012 that will impact 2013, he will not wait until 2013 to implement those changes; he will start in 2012 because you would be talking about organizational changes.

Councilmember Fogarty had a question for Council. She has always been a strong supporter of the police, but was questioning if the better choice for 2012-2013 is to keep the part-time Finance person for checks and balances, or a police officer. We need \$70,000 to keep the officer for 2013 and she does not know where we will find it. If she cannot find it for 2012, that adds one more thing to find for 2013. She was looking for guidance from the Finance Director as to how important that position is. Finance Director Walters stated it is very important. She puts in a lot of hours and she could reduce some of those hours if someone else was here. During audit they are extremely busy and she does not know how she will do it all herself. There is no one in her department able to work over 40 hours. They are getting by, but there are no slow times. This year, the Accountant stayed through the audit which helped a lot. We have new auditors this year, which means extra work because they check more. An option is to hire a person that used to work for an audit firm to come in during that time so we would have that expertise.

Councilmember Bartholomay stated the Police Chief has also said he needs an officer. He does not want to choose between the departments as to who needs someone the most. City Administrator McKnight noted part of this also depends on what Council does with fiscal disparities and potential changes within the organization.

Councilmember Fogarty stated regardless of what we decide to do, she wants the \$25,000 for the part-time Finance position put back in. The auditors have said we need more checks and balances. Councilmember Bartholomay stated as long as we are not jeopardizing safety and the level of service provided, he was okay with it. City Administrator McKnight asked why he would not equate cuts with a reduction in service. Councilmember Bartholomay stated if it results in a reduction in services with police, then he would not want it. We have not had a dialogue with residents as to what they would like the City to not continue to do. Cutting the contingency makes him nervous because with these cuts, we might need that. He would be in favor of putting the \$25,000 back in, but not cutting an officer.

Mayor Larson stated if the City Administrator was comfortable with the cuts, he was also okay with them. If we do not have any disasters, we will be in good shape. He stated Councilmember Fogarty would like \$25,000 put back in for Finance and Councilmember Bartholomay would like the \$18,000 contingency put back in. Councilmember Donnelly stated the City Administrator would not offer these cuts if he was not willing to make them. Councilmember May appreciated Councilmember Fogarty's feedback on the positions. The SRO position is primarily in the school. There are other ways, such as re-organizing the police staff, so it does not affect patrol officers. She was still in favor of eliminating the SRO position. Overall these are still bandaids. When we discuss fiscal disparities, against every grain in her body, she is in favor of using that money to reduce taxes. We are elected officials to represent the taxpayer. She has been on Council for three years and every year we have these holes that are getting deeper. It is fiscally irresponsible. Going through these line items is not solving anything. Year after year we cannot ask the taxpayers for more money, as there will always be increases. If using this one-time money forces us to look at organizational changes, then that is where we need to be. We are out of time to have those discussions now. Councilmember Fogarty noted it would have been a difficult year to do that. Councilmember May would be in favor of eliminating the SRO and Finance definitely needs assistance. The contingency is meaningless. Councilmember

Bartholomay asked how many ride alongs Councilmember May as been on. He felt it would be an eye opener to see when they do not have enough people to go to calls. The Police Chief told us he has not filled positions that have moved to investigations; it is not just about the SRO. He is short on patrol. He suggested she look at their schedule and ride both shifts to see what is going on. He has done that so he knows what happens. Councilmember May noted the Police Chief had his department before the SRO position was added. Councilmember Bartholomay felt it would be courteous to let the Chief figure out what he could do in his department to make this work. Councilmember May stated any department would want additional staff. She was aware safety is important and the Police Department does a fine job. Councilmember Bartholomay felt everyone needs to make sure they are fully informed before we make decisions. We cannot be bankrupt and take too long to make some changes. If using fiscal disparities forces us to make some changes he agreed we need fundamental changes. We cannot do it on the potential of going bankrupt. Councilmember May stated we cannot keep asking the taxpayers for more money, because that is the other side of the coin.

Mayor Larson asked the City Administrator for a list of employee cuts since 2008. He received a list since 2006 and there are 13 major positions that have been laid off or retired, including two department heads. Councilmember May stated we have to start looking at services because we have to live within our means. Mayor Larson felt we are doing a responsible job and the best we can. He stated Councilmember Fogarty was in favor of leaving \$25,000 in the budget and taking it from the SRO. Councilmember Fogarty needs to see how 2013 will work. We are already looking at re-organization and cuts and that is where she is struggling. Are we going to re-organize the rest of the City to ensure there is one more officer on the road? If we put it back on the Chief, all he has said is he will not get new cars. That only works for one year. She needs a firmer solution and she is not seeing it. If we give it back to the Chief, we are talking about 3-4 months for next year. If we give him 3-4 months and 1 year to figure this out, are you going to find the cuts in your department to keep that officer? She has not heard that yet and that is her struggle. Otherwise, he needs to be prepared to not have the officer in 2013. Of those 13 positions, not one is from the police department. Councilmember Bartholomay would be in support of her suggestion if we funded the SRO through 2012 and said the police need to figure out how to pay for it in 2013.

City Administrator McKnight cautioned depending on Council's decision with fiscal disparities, we are talking people cuts; likely a re-organization. You cannot tell him to save Officer A, but cut Officer B. Councilmember Fogarty asked if it was possible for the Police Chief to restructure his department. Maybe he needs to look top to bottom and maybe cut an administrative position. We need something from the police department in 2013. City Administrator McKnight stated that kind of thinking will be organization wide because the numbers are that big.

Mayor Larson stated so the cuts now amount to \$150,000 instead of \$175,000. Councilmember May asked if that is how much a consultant would cost to bring in for the audit process. Staff has not researched that yet. The Finance Director had also talked with a neighboring City about sharing a position, but now they are going to hire their own full time position. The position would be needed for a couple months. Councilmember May asked if we could cut the \$25,000

in half. Staff would agreed with that. City Administrator McKnight confirmed Council wanted to cut the part-time Finance position in half to \$12,500. The cuts are now at \$162,500.

Next Council discussed the three options presented for fiscal disparities. Staff wanted to clarify if Council still wants \$175,000 in fiscal disparities committed to the EDA deficit or use the money elsewhere. Two of the options will put the City in a hole to start 2013 by using \$367,258 or \$537,258 in fiscal disparities to buy down the levy. Option one does not use fiscal disparities money for the levy.

Mayor Larson is leaning towards option 1. He was concerned with using fiscal disparities money for the levy and the hole it would create.

Councilmember Fogarty did not like option 3 as she wanted to clear everything up with the EDA. We cannot move forward with the EDA or make decisions on what we want to do with the EDA if we have the debt. She was leaning towards option 2 partly to put everyone's feet to the fire. The changes in MVHC are called eliminating the program; she calls it a kick in the teeth especially for businesses. If we have a zero levy increase, business taxes go up 13% because of that. Option 2 buys back a little of that for commercial properties, bringing the tax increase down to 11%. However, it is not always the City's responsibility to fix the State's problems. In 2013 she would not look any business owner in the eye and say we are not raising taxes because we are buying down 2012. She was in favor of option 2.

Councilmember Bartholomay was in support of option 1. The hole we would have to dig ourselves out of would not be responsible to force change. He felt we can force change without picking an option that could potentially bankrupt the City. Councilmember Fogarty noted both of them are working with the assumption that we will not get any where near the fiscal disparities we got this year. Councilmember Bartholomay stated if we get it, then we can use it for one time needs. Councilmember Fogarty stated the City does budget for receiving fiscal disparities money. She felt it was not fair to say we are setting ourselves up to sit in a hole. City Administrator McKnight noted that is the worst case. Councilmember Bartholomay was in favor of option 1.

Councilmember May noted Council was choosing option 1 to force change. If we are looking at the business community we could say the change is going to be forced. The reason we get a large amount of fiscal disparity money is due to our poor economic climate so we probably will continue to get that money. Our economic climate will continue to deteriorate with these increases. It is irresponsible for Council to use the fiscal disparity money, but it is very irresponsible to not use it. We are having these discussions too late in the year to talk about anything else. She was in favor of option 2. She agreed we have to eliminate the EDA deficit and this option will open discussions about the future of that department and there are costs in that department. She was in favor of option 2. She brought it up at the last meeting to continue seal coating and see more cuts. This could be part of the discussion next year for organizational changes to put in a seal coat plan going forward. If we do move forward with any of these options, she does not want to see the trail maintenance and building maintenance set up as funds; she wants them as part of the budget. Council agreed with this.

Councilmember Donnelly clarified we cannot do anything with the EDA as long as it has the deficit. Finance Director Walters stated the EDA does not have any money so they cannot do anything without a revenue source. Councilmember Donnelly stated if we use the money to eliminate the deficit, the EDA still does not have any revenue. Finance Director Walters explained we also had an additional \$50,000 going to the EDA. Councilmember Donnelly was in favor of option 2 to find some middle ground.

Mayor Larson agreed option 2 will work. City Administrator McKnight stated we will see what numbers come in for fiscal disparities for 2013. Council will need to determine if they will want to wipe out the use all in one year or phase it. We will work on that after December 5, 2011. The fiscal disparity numbers are received in August. Staff will work on finding \$367,258 for 2013. Councilmember May stated if we move forward and take a fresh look at how we run the City, and if the fiscal disparity money is there, then we can do the right thing and eliminate some deficits. Councilmember Fogarty stated the argument there is there are still things for which we should be putting money away.

Mayor Larson wanted to discuss the fire truck and how we want to get a new one. Fire Chief Pietsch stated the truck is getting repaired and it has a bad valve. It will add \$2,000 to replace the valve. If it was not fixed now, the cost would double. The committee is looking at other options including leasing, used trucks, and demos. The leasing option is being pushed more because you know upfront what the cost is and you set the terms. The maintenance costs will go down because it is newer equipment and you just pay for the use of the equipment. The committee would like to make a presentation to Council and staff on the options perhaps in January.

MOTION by Fogarty, second by Bartholomay to adjourn at 7:55 p.m. **APIF, MOTION CARRIED.**

Respectfully submitted,

Cynthia Muller
Executive Assistant