

MINUTES OF A WORK SESSION OF THE
INDEPENDENCE CITY COUNCIL
WEDNESDAY, AUGUST 5, 2015 –7:00 A.M.

1. CALL TO ORDER.

Pursuant to due call and notice thereof, a work session of the Independence City Council was called to order by Mayor Johnson at 7:00 a.m.

2. PLEDGE OF ALLEGIANCE.

Postponed until regular meeting.

3. ROLL CALL

PRESENT: Mayor Johnson, Councilors Betts, Wenck and Spencer.

ABSENT: Fisher

STAFF: Administrator Kaltsas, Assistant Horner, Public Works Ende

VISITORS: Steve McDonald (ABDO), Gary Kroells (Chief WHPS)

4. BUDGET

McDonald stated the information presented outlines the budget fund detail and watershed budget. He highlighted key items in this year's budget:

- Overall City general fund levy increase is 7.34 percent but the overall city-wide increase is 3.30 percent due to the expiration of the 2005 and 2007 Bonds. Over half the general fund increase results from increasing the Public Works capital outlay budget for a planned tractor replacement. The tractor is budgeted as expenditure due to the levy availability with the 2005 and 2007 bonds.
- Public works does not have an equipment reserve but has about \$122K in equipment planned for 2017 and 2018. Council should discuss identifying a policy to fund future capital by building reserves over the next budget cycles. The 2016 budget does identify a transfer out of \$62K to start building public works capital.
- The budget assumes the City Administrator position will be filled in 2016 at the same amount as 2014 pay rate. Council needs to discuss and affirm if this is the plan. They also need to review the current pay plan. The City has had a pay plan in place for several years but generally is not following the step component. Council should review and discuss the need to update and follow the plan.

McDonald said the preliminary budget is due to the county by September 30, 2015. The expectation here is to give the first pass and get feedback from the Council. Johnson asked if there have been any PERA increases. McDonald stated there were not any specific changes for 2016 with PERA.

Kaltsas stated that for the most part administration would remain relatively flat with the exception of what happens with the Administrator position. He said Council needs to look at getting aligned with the recommended Step program as there have not been reviews or any procedures followed in the past with

regards to the program. Kaltsas stated the employees have only been given cost of living increases and the Step process has not been followed as it should have been by the past administration.

Kaltsas stated the capital side needs to be addressed as well, particularly how it will be funded for the main building and Public Works expenditures. He said they need to start a formalized capital plan.

Kaltsas said the City needs to look at how the files are managed. He said in meeting with Horner and Bemmels they stressed the importance of getting all the paperwork transferred to digital file retention for preservation and ease of access. Kaltsas said Bemmels and Horner are confident they can implement this process with the approval of purchasing the proper software. He said Maple Plain has recently done this with the purchase of Laser fiche software and they spent about 10k for start-up. He said Maple Plain has budgeted about 10-12k per year ongoing to keep up licensure and upgrades. He said they have reduced all the paperwork, including section, financial and address files. Betts commented that this is important in case there is a fire or anything that happens so the information is saved. McDonald noted that Laser fiche is widely used throughout many cities. Kaltsas said the City has the staff onboard now that is savvy enough to manage this process.

Kaltsas said the other thing that needs to be talked about is a back-up generator for City Hall. He said that looking at costs they are in the range of 33-34K.

Johnson asked if the money that came from the League of Minnesota Cities was a one-time thing. Kaltsas stated that half of that payment has been received. McDonald said it would not have an effect on the budget so he will remove it.

Johnson asked how valuation increases would look. McDonald said it would be 1.19%. McDonald said in regards to the tax capacity change, 2.27 are residential. McDonald said the important thing to pay attention to is the tax capacity rate. Kaltsas said new homes would not be recognized until next year for tax capacity rates. He said next year there would be a good valuation increase.

McDonald noted the two main drivers in the Levy increase are the expenditures for the tractor for Public Works and the Police Department increase. He said employees have a 2% salary increase. McDonald said the City has an adequate fund balance reserve which should be kept around 50%. He said there is really no change as far the watershed.

Kroells asked about the charges for police services. McDonald said they look at growth but don't want to bank on fines. He said he did not agree on the charges for service conclusion. McDonald said it makes sense to be conservative on these numbers right now.

Betts asked about the development on the corner of County Road 11. Kaltsas said there was talk about it but they have not moved forward.

McDonald said Administration costs reflect the 2% cost of living increase in wages. Kroells asked how many employees were in the financial administration. McDonald said the split reflected Horner at 85%, Bemmels at 85% and the vacant Administrator position at 95%.

McDonald said for the capital outlay in general government he is not sure the 10K makes sense. He said he could see that being cut in half or reflective of 2014 numbers. McDonald said 7K was spent in 2015 for specific needs. Kroells stated he thought they were going to be working on the outside lobby and painting in the conference room. Johnson asked if there were going to be any computer needs. Kaltsas said the City is up

to date on adequate computers at this time. McDonald said the big item for 2015 would be painting the exterior.

Kroells stated he would recommend the safety glass be put in the front customer service window for the City instead of the roll-up that is in place now. He noted the recent incidents of people getting belligerent with staff at the City and would like to see this level of protection for employees. He noted that Horner and Bemmels were also going to get safety training per their request in dealing with tense situations. Kaltsas said he would evaluate building improvements and come up with a formal plan to present to Council.

Johnson noted that the line items dealing with dues and subscriptions seemed high. Kaltsas noted that some were City dues and others were LMC dues, etc.

McDonald asked if capital outlay should be put on a hold at this time until there was more a formal outlook on building needs, etc. Kaltsas agreed.

McDonald said legal costs should be more normal in 2016. Kaltsas said they have escrow on hand that has not been billed. He said those numbers will balance back out. Kaltsas said there are some bills that have not been tagged out yet. McDonald noted we had not heard on the Loretto Fire contract yet. Kaltsas said he will look into the fire contracts.

McDonald said streets were at 3.84% and that number would probably need to be increased.

McDonald stated that overall the document reflects there would be a 10% increase in expenditures. This would change to 6.94% after removing the 62K.

Johnson asked about the changes he has heard relating to fire department changes in the area. Kroells stated it boils down to people not having confidence in the Hamel Fire Department so Corcoran went with the Loretto Fire Department instead. He said Medina is pushing for Loretto and Corcoran Fire Departments to merge. He noted the debate goes back and forth.

Ende noted that for the roads department there needed to be some tweaking as far as eliminating some line items and adding some. Betts asked if when the road resurfacing was done if they would be taking down some of the low, over-hanging trees and if that would be figured into the budget. Ende said that would be Public Works responsibility. He said the trees are becoming a problem that needs to be addressed and it was funny that a tree belongs to the land owner until it falls over and then it becomes a City problem. Ende said the low hanging trees become an issue in big snow storms when plows cannot get through and people don't realize that. Kroells noted the big storm on June 18th and all that trees that fell over were a big issue.

Wenck stated he sees the budget talks as an opportunity to talk with Maple Plain on administrative costs and where we were going with Shared Services. Johnson stated he feels this needs to be looked at as a dual-track thing. Spencer said he feels we need to give Maple Plain a statement of where the Council stands on Shared Services. Johnson said this needs to go on the next Council agenda as a discussion piece so the Council can determine where they stand officially. McDonald noted it is relatively easy to model the budget on whatever is decided about combining the Cities.

McDonald asked for feedback on the tractor purchase and salaries which would drive the levy. Johnson asked about the tractor for more details. Ende said it would a tractor to mow. He said it was supposed to be purchased this year but was put off due to road overlay projects and costs associated with that. Ende said the one they use now is 18 years old and has hydraulic issues. He noted 80k was last year's price and there were

different options he could look at as far as units go. Ende said there are other items that are going to come up in the next few years such as; loader, pickup, Inspector's car, etc. and that there needs to be a more formal plan in place. Johnson asked about the recent issue with the pay loader. Ende said they are having issues with the front end and it has to go back in for repairs. He said it is eight years old without many hours on it. He said he was told by John Deere they would help get some of it covered under warranty. Ende said they came back and told him it was wore out which made him furious. He told them a loader with 1700 hours should not be worn out and the City would not eat this cost. Ende said this is still in process and they have not gotten back to him as of this meeting.

Spencer asked about the contingency fund and the check that was coming in. Kaltsas said 62K was coming in and could be used for road maintenance. Kaltsas said he and Public Works are re-working their budget to create a contingency when there is a unique situation such as a winter/ summer storm, equipment that breaks down, etc. These dollars would be kept in a capital contingency fund for use when needed. Spencer said we are one disaster away from having to pull money from other accounts so this planning is necessary.

Johnson asked if the two bonds had been paid. McDonald said the last payment will be February 2016 and the last levy received was in 2015. Ende said there is 15K coming from Hennepin County for the road overlay project. He said we don't book it until we get it.

Betts asked how we earmark the generator cost and if it would be a shared expense with the Police Department. Ende talked about the bidding process and how those came in with used versus new generators. Kroells said he did not know if the Council realizes that he and Ende have 7-10 times per year where they are in a panic because there is no power for the police and the City. He said an example is July 5th which was a beautiful Sunday and the transformer went out for this building and the one across the street. Doors were not locked; phones were not working among other issues. Betts noted this was a big safety issue and needed to be addressed. Johnson noted the Crow River News had an issue on how people in Medina were frustrated with Excel Energy. Betts noted that it was only getting worse. Kroells noted it becomes a lift station issue as well when the power goes out. Ende said we are lucky we don't have water issues with lost power and our sewer systems.

Spencer stated the generator and glass safety window should be added into the building budget. He noted the general fund is dropping. Spencer said the fund balance is dropping and that is concerning. He said he did not think the safety window needed to be bullet-proof but rather safety glass. Kroells stated the whole building is bullet-proof.

Kaltsas asked McDonald what his thought were on the sewer fund deficit and how to address it. Kaltsas said that in addition to another budget workshop it would be prudent to schedule a workshop to address the sewer situation. Spencer said it was not sustainable to have that big of infrastructure with that few of people on it.

Spencer stated another topic that needs to be addressed is the Pioneer Sarah watershed. He noted that the levy was more than that against project funds. McDonald and Spencer discussed leaving 10-18K in the fund in the event they received grants in the future that require matching funds.

Kaltsas talked about the LMCC and future plans on utilizing them or going another direction. Johnson said if we don't have them than it will require the City to have outlays for equipment and other costs. Kaltsas said Maple Plain did some checking and thought if they withdrew from the cable commission it would save them about 25K per year in fees. The sounds they already have so to purchase a camera would be a 5-7K one-time cost. The thought was they would post the videos of the meetings to YouTube or another venue that people already use. Spencer stated Wenck and DeLuca had renegotiated that contract for Maple Plain a year ago. He

said part of that number is a user fee that was billed through Comcast or other vendor. Betts asked if they were coming to Maple Plain Days. Kaltsas said they were going to be there. Kaltsas stated people stream the videos online anyway when they want to and they are not live videos to begin with. Betts said she would like to be reassured that if they quit the service they would see any money back in the end or what that number would be. Spencer stated he would be confident that Norm had negotiated the contract to the penny. Johnson stated he was surprised at the number of people that watch multiple cities Council meetings.

Ende asked what the Council may want to do about Pioneer Park grassy area. He said the last time it was seeded was 10-12 years ago. He asked if they wanted them to re-seed it or put in corn and alfalfa and rent it out again. Betts said people are looking for soccer fields so could they smooth it and grass seed it for soccer and rent it out? Ende said soccer fields were intended for between the playground and ski hill. He said this front area was intended for a ball field and it would take a lot to turn into a soccer field.

Mayor Johnson adjourned the Work Session at 8:15 a.m.

Respectfully submitted,

Trish Bemmels, Recording Secretary