



**MINUTES
CITY COUNCIL WORK SESSION
September 1, 2020**

CALL TO ORDER

The meeting was called to order at 5:30 pm.

Present: Mayor: Charlie Miner; Council: Tom Skjaret, Jahn Dyvik, Michelle Jerde, and Deirdre Kvale

Due to the COVID-19 health pandemic, the Long Lake City Council attended this meeting telephonically pursuant to Minn. Stat. 13D.021.

Staff Present: City Administrator: Scott Weske (in person)

Absent: None

PLEDGE OF ALLEGIANCE

APPROVE AGENDA

A motion was made by Jerde, seconded by Skjaret, to approve the agenda as presented. Ayes: all by roll call.

OPEN CORRESPONDENCE

No one was in attendance to address the City Council during Open Correspondence.

BUSINESS ITEMS

Continued Discussion of Preliminary 2021 Budget and Levy

City Administrator Weske explained that the budget and levy will need to be certified at the September 15, 2020 Council meeting. He noted that the preliminary levy can always be decreased at time of final levy, but cannot be increased. He stated that with all things considered, the City is trying to get to a flat tax rate so there is not a levy increase. He reviewed the preliminary numbers associated with the new proposed flat tax rate levy option. He gave a brief overview of the five associated steps that include creation of a Pavement Management Fund and approval of franchise fees. He reviewed the Water, Sewer, and Stormwater Funds and their balances. He stated that right now, the Water Fund is projected to lose \$62,000, the Sewer Fund is projected to lose \$216,000 and the Stormwater Fund is projected to lose \$21,000. He stated that the City has applied for recycling grants, so it should basically end up a cash neutral enterprise throughout the next five years. He reviewed the four steps for addressing the utility funds, including increasing rates or levy for the loss, and approving an ordinance text amendment to change the sewer usage billing from first quarter average to actual quarterly use. He reviewed a possible short-term option for 2021 and noted that he thinks there may be a longer-term fallout from the pandemic that actually shows up in 2022.

Council member Dyvik asked about the cell tower lease revenue and asked if that could be assigned to the Sewer Fund.

City Administrator Weske stated that he will have to double check but believes it may have to be done on an annual basis and not as a normal reoccurrence throughout the year.

Council member Kvale asked about the surplus of \$137,000 and noted that it seems a bit high because last year it was only about \$5,000. She asked how the City would account for the transfers of funds into the Pavement Management Fund. She asked about the rationale for increasing the tax levy to collect \$137,000 in extra money.

City Administrator Weske explained that the smaller amount last year was that the City's tax capacity has increased. He stated that the only "extra" money, in theory, would be the \$50,000 in the General Fund versus \$5,000 from last year. He stated that the reason they were able to get the \$137,000 is that the City's property values appreciated so much from 2019 to 2020. He noted that the City is capturing the same percentage, but the amount is different.

Council member Kvale stated that she understands the tax rate, but would like to know what the City is going to do with the money since it is levying for more money.

City Administrator Weske stated that of the \$137,000 surplus, \$69,000 plus \$18,000 will go into the Pavement Management Fund. He stated that leaves \$50,000 that the Council can decide if they would like to use it for a Capital Improvement Project or keep it in the coffers for a later project that was not budgeted.

The Council discussed road projects and projected costs for projects such as Grand Avenue.

Council member Kvale stated that she would like to see budget numbers run without an increase in the levy, and commented that she would like to see the tax levy match the City's expenses.

City Administrator Weske stated that would end up being a tax rate reduction.

Council member Kvale reiterated that she would like to see a tax levy that matches the City's revenues and expenses. She stated that the City getting a windfall during a pandemic because it can, but has no justification for this windfall, doesn't make sense to her.

City Administrator Weske gave an overview of the budget numbers and explained that revenues are not fully covering expenses no matter how it is moved around.

Council member Kvale stated that she would like to see a tax levy that is reasonable relative to the City's expenses, rather than creating a \$137,000 windfall. She compared last year's difference of \$5,000 to this proposed \$137,000. She asked why the City was taxing people just because it can without having a rationale for taxing them.

City Administrator Weske stated that the reason is that people need their roads repaired. He stated that he has proposed that all but \$50,000 be put towards the Pavement Management Fund.

Manor Miner noted that the City could allocate the entire \$137,000 to the Pavement Management Fund.

City Administrator Weske agreed and noted that the Council could put it anywhere and gave the example of the need within the Park Fund for additional funds.

Council member Skjaret stated that he understands the thought process and does not see \$137,000 as being an exorbitant amount of the overall budget. He stated that he thinks this proposal is prudent, because the City would be using that money to establish a Pavement Management Fund leaving \$50,000 set aside for unforeseen expenses. He noted that he understands that everyone has been affected by the pandemic, but at the end of the day, his street is falling apart and it does not show up on the Pavement Management Plan until past 2030. He pointed out that the City has not had any

investment in their streets in the more than 10 years he has been involved in City government, other than Watertown Road which took the City five years to pull off. He stated that he can see the \$50,000 being set aside to help cover the cost of things like watermain breaks or equipment breakdowns. He reiterated that he doesn't think it is an exorbitant amount of money and will help the City establish a Pavement Management Fund.

Council member Dyvik agreed and stated that he doesn't see having \$50,000 in reserves as being unreasonable because there will be unforeseen expenses and if there aren't, then it can be assigned to the Pavement Management Fund.

Council member Kvale asked how much the City had in reserves. She stated that her issue is with the combination of the levy, the franchise tax and the push to raise sewer rates which feels like a double trifecta in a year when people are struggling financially.

Council member Dyvik stated that he is in favor of using some of the investment funds, such as the former CSAH 112 Fund, to be seed money for the Pavement Management Fund. He suggested that it could be a graduated approach, and perhaps the City doesn't not hit the franchise fees as hard, but agrees that he is in favor of using some of the savings available for a "rainy day", because the City is now in a rainy day.

City Administrator Weske stated that it would be possible to use those funds as seed money, but noted the City could also use it in order to do a street project as a cash line item rather than bonding for it. He reminded the Council that this is the preliminary budget and levy and it can be decreased when the City has more detailed information closer to the end of the year.

The Council discussed current property values and possible changes as a result of the pandemic. They discussed the tax levy, tax rate options, and franchise fee options.

Council member Skjaret stated that he feels the math is pretty straightforward and suggested that the Council choose a hybrid option where it would spread things out both regressively and progressively.

City Administrator Weske stated that keeping the tax rate the same is sort of hybrid approach. He stated that if the City can keep the levy rate flat it would give the City the \$137,000 surplus to be allocated for the Pavement Management Fund and unforeseen expenses. He stated that it can be reduced in December if they start seeing things change and could look at a slightly lower monthly charge for the franchise fees.

Council member Kvale asked if the City had done more analysis on the road project costs and how much is needed before the projects could actually be completed. She stated that she thinks these details would be helpful for people rather than the City just saying it is going to grow this fund.

City Administrator Weske noted that those details should be gone over tonight at the regular Council meeting when the consultants present more information on upcoming road projects to be funded.

Council member Kvale reiterated that those details would be very helpful and noted that she doesn't think the City needs to do everything at once.

Council member Skjaret stated that the City hasn't done anything about road projects for 12 years and he feels they cannot wait any longer. He commented that the streets are falling apart and property values will begin to decrease as our streets deteriorate.

Mayor Miner stated that he is hoping for feedback from the public at tonight's public hearing. He noted that there were only about six or seven people at the virtual open house.

OTHER BUSINESS

Council member Kvale asked if the City has certified for the CARES Act Funds.

City Administrator Weske noted that the City had already been sent about \$130,000 and now just needs to figure how to spend it in a qualified manner. He stated that the process looks like it is going to be a nightmare because they keep changing the rules. He reviewed some of the examples of items that have qualified for this money.

Council member Jerde commended City Administrator Weske for his work on the budget because it is clear and easy to understand.

Council member Dyvik thanked everyone for their cards and thoughts.

ADJOURN

Hearing no objection, Mayor Miner adjourned by general consent at 6:28 pm.

Respectfully submitted,

Scott Weske
City Administrator