

**CITY OF PARK RAPIDS
CITY COUNCIL WORKSESSION
NOVEMBER 24, 2020, 5:00 PM
Park Rapids City Hall Council Chambers
Park Rapids, Minnesota**

1. CALL TO ORDER: Mayor Ryan Leckner called the Park Rapids City Council Workshop for November 24th, 2020, to order at 5:00 p.m.

2. ROLL CALL: Present: Mayor Ryan Leckner, Councilmembers Tom Conway, Erika Randall, and Robert Wills. Absent: Councilmember Liz Stone. Staff Present: Administrator Betty Thomsen, Treasurer Jeremy Jude, Planner Andrew Mack, and Clerk Margie Vik. Others Present: Robin Fish from the Enterprise. Appearing via telecommunications: Public Works Superintendent Scott Burlingame, Liquor Store Manager Scott Olson, and Police Chief Jeff Appel.

3. BUSINESS:

3.1. 2020 General Budget and Levy Discussion: Jeremy Jude stated we are going to pick up where we left off in September. We adopted a preliminary levy with a 3% increase overall. After some work we got that down, but we got the workmen's compensation rates after September. We had to go back and revise a few things. In the packet I've included my notes from the first meeting plus additions from what we are going to change tonight.

Jude stated we didn't change anything to the revenues. They are going to be very similar from this year to next year. The LGA is not going to change. We have that number certified from the state at \$590,141.00. Our assumptions on our tax collections are that they will stay the same. I haven't seen anything from the county that indicates it will be better or worse.

Jude stated after we had the budget meeting in September, the feedback that we got was that we are trying to keep the levy to zero increase as much as possible due to economic factors within the city. We worked really hard to do that. After we had our audit done, we found out that the city had a net position increase of \$250,000.00. Of that, \$150,000.00 was a change in the investment portfolio value. In speaking with the auditors after that meeting, they informed us that we could do a deficit budget. Meaning that we could decrease that net position increase and apply it to a future budget. We elected to take \$100,000.00 of that \$250,000.00 increase, the portion that is not related to the city's investments, and apply that toward the 2021 budget in order to reduce the 2021 levy amount to the citizens. We were able to take the levy down from the 3% that we had proposed in September, down to 2.5% overall. That levy increase went from \$138,000.00 down to just over \$20,000.00, with the \$100,000.00 being carried over from the city's position change.

Randall stated initially you said that back in September that we set the levy at 3%. I don't think that's what we set the levy at. Jude stated the total levy was 5.9% as was recommended, but the increase from year to year was 3%. Leckner stated there was a 3% increase in the whole budget overall. Also, you said the overall increase was 2.51%, but the levy increase was .73%. Jude stated yes, the net levy increase. The majority of that was the bond service for the city. The general fund portion of the levy only increased about

.37%. We tried to keep the operating expenses as flat as possible. We cut out whatever we could. We nicked and dined it just as much as we could.

Jude stated on the expense side of the budget, it's the same as in September. We annualized the numbers, the difference being we added another month of actual expenses in there. We carried them out to year end, and carried them over to 2021, with no increases, except the 3% COLA increases that are contractually obligated. They will cost 3%. We had a 2.5% increase, plus a 22 cent per hour base increase. The contract is set up that way. The only thing that we ran into that is different from September is the workman's comp. After the Finance Committee meeting where we went through the budget items I did receive the final workmen's comp information from the League of Minnesota Cities Insurance Trust (LMCIT). They announced that the increases were going to be way more than we anticipated. The average rate of increase is 13% across the LMCIT's insured municipalities. They are implementing a 35% increase in all of the police job classes, and a 4.5% increase across all the other classes. That is nothing that we can negotiate. What compounds it for the city is over the last two years our experience rating has been going up. I don't know the history. I've been working with Dick Bradow. We've had an increased number of claims. The workmen's comp modifier went from a .84% in 2018, to a 1.82% in 2020. You had that big hit this spring, with the current year's workmen's comp and then in 2021 you got the increase from the League due to claims across the pool.

Randall questioned why do you have the 3% there for the COLA. I thought the increase was 2.5%. It's not making any sense to me. Conway stated we have a 22 cent add on to those wages above the 2.5%. Randall stated I understand that. Where's the 3% coming from? Jude stated we used 3% as a flat modifier for all of the legal expenses. We did that back in September. I didn't receive any indication that you wanted to use 2.72%. Being my first time doing the budget I didn't know we went down to that many decimal points of a percentage. Leckner questioned we used a flat 3%? Jude stated yes, a 3% across the board. Leckner stated because we didn't know what the insurance would do. Jude stated I can't anticipate the variations of hours being put in. The gross wages, FICA, social security, and I don't know if the prior treasurer went through and put everybody's hours in, and how it's calculated. I used the gross wages and the gross expenses. So, I added 3% for the labor related stuff. Conway questioned does that include an increase to benefits? Jude answered yes. Conway stated so we do a 2.5% increase on wages, and we have an increase to cost of benefits as well, you're probably going to be there anyway. The 22 cents are not going to add up to the .5%. Thomsen stated we also have some new employees coming, at the time that we are doing this, we didn't know whether we were going to fall on the pay scale, less than a 1/2 % would cover it. Jude stated that was the assumption when we started the budget process. Randall stated I'm still not following, but we can move on. It makes zero cents to me. I'll ask later.

Jude stated there isn't a lot of optional expenses. We focused on the outside training, like for the police department. There's not a lot of outside in-person training being done currently. You don't anticipate it will continue next year either, so we cut some of those budget items, with the understanding that mid-2021 if training resumes, they can come back to the Council and request an adjustment to increase their training budgets as necessary. Specific to public works, for some street maintenance items, they have standard budget things, like street overlays, we reduced those to what Burlingame thought they would actually use versus just a flat budgeted amount.

Jude stated that's the big picture of the general fund. Since we don't have time next week for an enterprise fund meeting, we've included the enterprise funds and budget now as well. Are there any questions on the expense side of the general fund, or about deficit budgeting? Randall stated you referenced a 2.5% increase and a .73% increase. What's the increase to the taxpayers? Jude stated the increase in the total levy to the taxpayers is \$20,563.00, or .73%. Leckner stated I think for all of us it was a good process. The bottom line is the overall levy increase. We started at 3% and got it down to that in a year where we're trying to get things done, like the audit. All the department heads took a little off of their budgets, understanding that we are trying to keep it as low as possible.

Jude stated on the revenue for the airport enterprise fund 208, we budgeted the same level of revenues as in 2020 into 2021. We didn't see anything to indicate major changes to that. There are not a lot of revenue drivers for the airport. There's hangar rentals and land leases. We did see a decrease in some revenues due to reduced usage in 2020. That's a very small revenue item for the meeting room. We rented it once this year at \$10.00. Normally the revenue annually is about \$100.00. We put it at zero in case it doesn't get rented in 2021. We budgeted for increased grant revenue from both the federal and state levels. They've been working on the engineering for a terminal taxiway area for the past year. It's scheduled to start in 2021 and continue into 2022. We budgeted for the anticipated federal and state grants. For that project the city's match in 2021 would be \$75,000.00, and the total city match would be \$170,000.00 over the two-year period.

Jude stated on the expense side for the airport, we saw an increase of about 24% in salaries for the maintenance items out there. We did carry that increase forward into 2021. We don't anticipate that decreasing because of the aging of some of the facilities out there. The large item is the capital outlay expense in 2021 and that's for the terminal taxiway project. Most of that will be offset by the grant revenue for the airport. The Airport Commission has a meeting scheduled for December 2nd and then they will come to the Council on December 8th and go over their CIP for their projects and go into further detail on the taxiway project as to the scope and scale of it. Mr. DeCoster and Matt Zitzow will come to a work session to go over the airport CIP before your next Council meeting.

Jude asked if there were any questions about the airport enterprise fund. There were none.

Jude stated the next enterprise fund would be for the sewer, water, and storm sewer funds, 601, 602, and 651. On the revenue side there was a slight decrease. A lot of it was due to the waiving of the late penalty fees. That was the biggest item that we saw. We budgeted that to continue into 2021, unless you wish to reinstate late penalties on delinquent bills. It was decided upon earlier in the year that we weren't going to charge late penalties. Overall, the revenues for the normal services came close to 2020, plus or minus 3% on most items. We carried over the annualized amount for 2021 on the revenue side. On the expense side for the storm sewer and sewer/water funds all labor expenses, etc., are budgeted on the same assumptions as the other general funds, in regards to COLA at 3%, except for worker's comp at 40-45%. There were a few capital projects that we're looking at. This has been budgeted for in past years, but hasn't gone forward. \$500,000.00 was budgeted for the public works storage building. It would be split amongst the three funds that would utilize the building. We'll put all of those funds in reserves so that it can be built in a future budget cycle. It's been in there in the last two budget cycles, but nothing has been done as far as the construction. That is something that Burlingame feels that we need. We budget for it and if it's not done then we reserve those funds, if possible, for use for that project later. There is \$380,000.00 for a portion of the well project. It was budgeted

in 2020 and has not been spent this year, and won't be spent until January. It will be billed in December. We budgeted \$35,000.00 for Career Path, and \$10,000.00 for a water tower inspection to make sure that is up to snuff.

Jude stated the final item would be the municipal liquor store fund 609. For 2020 Rapids Spirits revenues increased by 12.3%. This trend is estimated to continue in 2021, and that it's possible sales will increase an additional 1.5%. We reflected that increase in the revenue side for the liquor fund. On the expense side we have the same allocation and assumptions as far as the cost of living and insurance obligations. The cost of goods sold and the merchandise for resale increased to reflect the increased sales forecasted. There is no large capital improvement budget for the liquor store fund for 2021. We put \$10,000.00 in there as a contingency for equipment due to the aging of certain items there. There are some multiple smaller capital items in there, but there were no large projects budgeted for. There was \$10,000.00 in the 2020 budget which was carried forward in the 2021 budget for some of those items. There is \$75,000.00 budgeted which is to be transferred to the airport fund for the city's portion of the taxiway project to start in 2021.

Scott Olson stated at the Finance Committee meeting we talked about a couple of items that were taken out because they were duplications. They were moved to repairs and maintenance rather than in capital outlay. Jude stated there was a \$7,000.00 duplication that was taken out, and there were a couple of expense items that were coded incorrectly that were removed as well.

Leckner stated this was a good overview. I like reviewing this now so if anyone has any questions we have until the next meeting to change it before we approve the budget. Jude stated I'm open for questions. All the budgets are before you for review.

Conway questioned where do I find the payments for Kitchigami and HLDC. Jude stated Kitchigami is going to be in the general library fund #40100, line 320 as an expense as other contractual services. It's \$30,000.00 for this year. We get a contract from them every year and it designates what the city's portion is plus the maintenance items. Conway questioned I believe it was held flat this year. Jude stated I believe it's down this year. The amount is determined by them. They send us the levy amount.

Jude stated the economic development payments for the HLDC is line 431. Conway stated it should be \$48,000.00. I wanted to make sure because we changed it last year. Randall stated we didn't touch that line item.

Leckner requested any questions regarding the budget. Conway stated we have time to look at it before December 8th.

4. ADJOURNMENT: A motion was made by Conway, seconded by Wills, and unanimously carried to adjourn the meeting at 5:35 p.m.

[seal]

Mayor Ryan Leckner

ATTEST:

Margie M. Vik
City Clerk