

**CITY OF PARK RAPIDS
CITY COUNCIL WORKSHOP
September 9, 2014, 5:00 PM
Park Rapids Public Library-Lower Level
Park Rapids, Minnesota**

1. CALL TO ORDER: Mayor Pat Mikesh called the City Council Workshop for September 9th, 2014, to order at 5:00 p.m.

2. ROLL CALL: Present: Mayor Pat Mikesh, Councilmembers Dave Konshok and Erika Randall. Councilmember Rod Nordberg arrived at 5:25 p.m. Absent: Councilmember Paul Utke. Staff Present: Administrator John McKinney, Treasurer Angela Brumbaugh, Public Facilities Superintendent Chris Fieldsend, Police Chief Terry Eilers, Planner Dan Walker, and Clerk Margie Vik. Others Present: Dick Rutherford.

3. DISCUSSION:

A. 2015 General Budget and Levy: Brumbaugh stated the Finance Committee has met to discuss this budget. Konshok will present the committee's recommendations.

Brumbaugh stated we went through the expenditures for this year. The department heads reviewed expenses for their departments and added what they felt they were going to need for their budgets. We also had a few items from the 2015 CIP that hit the general fund. Those are included in here also. When we finished that process it was about \$224,000.00 more than last year. All of the salaries have been put in with an increase of 2.5%. That is what was negotiated and agreed upon with the unions. Some things that we don't have control over are FICA, PERA. PERA has an increase for 2015 at .9% for police and fire, and .5% for the rest of the employees. That has all been calculated in. For just the police and fire portion it's a \$5,000.00 increase. We are told what the increase will be. That increase is the city's portion, but the employee's portion will also go up. The employees don't have a choice either.

Brumbaugh stated the summary is by departments. It lists the differences from 2014 to 2015, and the major areas of changes. For the police department, it increased \$71,281.00. Salaries went up \$11,074.68, and PERA is up \$6,072.33. All workers' comp insurances costs were calculated to be up by 5%. I have found out that may not be enough. Anything that dealt with insurance, worker's comp, property, liability is calculated with a 5% increase. The uniform allowance was increased by \$700.00 because we need to replace items. There's an increase in fuel costs. Other professional services were increased by \$3,000.00 because we have to stay current with whatever changes are implemented at the county level that deals with dispatching. The largest item is the capital outlay of \$19,975.00 for laptops and \$26,000.00 for a new squad car. Those two items have come from the CIP. Last year it was approved that the funding for those items would come from the general fund in 2015. We still have a police liaison but instead of having a separate department we have combined it all into the police department budget. The

numbers haven't changed. The school still pays us 50% of the salary based on the school year.

Mikesh questioned what is the \$16,000.00 for holiday overtime? Brumbaugh stated that's included. When we met with Personnel we talked about showing what is holiday overtime compared to regular overtime. It was requested that we show it so you would know. It's \$16,000.00 of the total. Randall stated we talked about putting that out there because it's a known number versus normal overtime. There's no way to reduce that number. McKinney stated it's an informational breakdown.

Brumbaugh stated the fire department budget went down \$161.14. Worker's comp has changed in the last few years. We're trying to get the new calculations. The Minnesota Supreme Court ruled on it and it will be going up even more according to the League of Minnesota Cities. On the general fund side, because of everything that is taking place I'm probably short \$4,600.00. We didn't talk about this at the Finance Meeting because we just found out about this. Konshok questioned instead of 5%, what are you going to use? Brumbaugh stated I want to add \$4,600.00 to the general fund. I'll allocate it out. They recommended 7% to 10%. Some of our insurance will be flat, other than 3% inflation. On the liability side it can go up as much as 15%.

Brumbaugh stated the worker's comp policy for the fire department is more than last year based on what it has been in the past. All of the new firefighters are now outfitted so the uniform allowance was decreased by \$8,000.00. Training was also decreased by \$2,500.00 since everyone has received training. There is still a budget in there for training, with a grant to go along with it. There is an additional \$2,000.00 in the minor equipment budget for pagers. Operating supplies was increased by \$1,000.00 based on past history. The transfer out of \$2,500.00 is for fire equipment.

Dick Rutherford questioned do we have money set aside to build onto the building if we have to? Mikesh stated that is in the CIP for 2018. McKinney stated we don't have any money set aside. We have a fund for equipment, but not for a building. It's in the CIP, but that means we have to raise the money. Konshok stated we're carrying it in the out years in the CIP. We're aware of it. It would come out of general or liquor funds. Brumbaugh stated the money that goes into the fire equipment fund, could be used towards a building addition, since the equipment is all pretty good right now.

Brumbaugh stated there is a \$5,000.00 decrease in other contractual for the building inspection budget. That's based off of what we'll be doing next year. Konshok questioned does that include the spike up we had this year going away? Brumbaugh stated one of the large projects they thought was going to take place is not going to. We took that into account. McKinney stated but we had project this past year that gave us money. It's not going to repeat itself. Brumbaugh stated most of the building inspection money we get a portion of it. A lot of it is used for our building inspector. You see an expense of \$50,000.00 we get that in revenue. It's mostly pass through. The fee covers the service. There's revenue on the other side that shows that.

Brumbaugh stated we've increased the housing/rental inspections by \$9,773.06. That department is getting a makeover. The expense is greater now than in the past because we've redone the database, reallocated who's doing it. More time is being put toward rental inspections. Ron Dick does the inspections. We have to watch that fund because we don't have any history to base our numbers on. Konshok questioned what's the difference between the revenue and the program costs, the net. Brumbaugh stated I'm showing \$11,000.00 in revenue coming in and \$17,800.00 going out. Konshok stated we'll

need to take a close look at that. Like the building inspection program that should be a wash. Revenues should equal expenses. We either need to trim the expense or raise the fees. McKinney stated one of the things is that we used estimated time per inspection. For multiple inspections that may be cut back. Brumbaugh stated I based the revenue off of what we're supposed to be inspecting for 2014. The goal when it was set up was to split it in three. That's how I based the revenue. We get \$40.00 for a single unit and \$35.00 for multiple units. McKinney stated because of our new approach to it, we're able to schedule meetings with the same owner for all their properties if possible, which is a more efficient way to use our inspector's time.

Dick Rutherford questioned when Mahube inspects, do we still send an inspector out to inspect the same piece of property? They come from Detroit Lakes. Why would we have to pay our inspector to do the same house?

Councilmember Ron Nordberg arrived at 5:25 p.m.

McKinney stated firstly we wouldn't pay him if we didn't collect first from the owner. It's not like we pay for an inspection and don't get the revenue for it. Do we have any information on double inspections? Walker stated I don't know. Fieldsend stated Mahube's inspection is based on the renter, and ours is based on the property. They're not necessarily the same thing. We may not have a Mahube renter in a house so we'd still need to inspect it. Rutherford stated Mahube will not let a renter go in there until they inspect it for fire codes, everything. McKinney stated they don't give that inspection report to us. It's for their rental qualifications. Rutherford questioned is there any way we can work with them so we can cut back on the costs? McKinney stated the costs are to the owner of the property. We don't know what Mahube has done. The way our ordinance reads they would not be excluded because they have a renter from that program.

Konshok stated it is a good point. The challenge with any Section 8 is that it's not comprehensive. It's not every unit. I have six apartments. I've got one Section 8 renter. They came and checked that one apartment. Is there inspection similar to ours? Probably. They are checking for a lot of the same things, but it's not necessarily equal. It's entirely based on the renter, so it's hit or miss from the city's standpoint. But it's a valid point, if there's some opportunity for coordination.

Randall stated there's no harm in asking when they do an inspection for a copy of the report to put in our file. At least we'd know when there's a new renter. At the very least to see what they are doing. Nordberg questioned would either inspection report be confidential? McKinney stated the city's isn't. Randall stated we're not asking for an application of the renter or their financial information. They are going in there to inspect the premises. McKinney stated the most efficient way to avoid duplication would be for them to use our inspection reports because we inspect everybody. They only do it on an as needed basis for their clients. If they could change their approach to inspections that would be the easiest solution.

Brumbaugh stated the increase to highways/streets/roads is \$58,736.24. A lot of the public works people work in different departments. I took where they actually worked over the last three years and reviewed that. By budgeting it where they actually worked has made a huge difference. This department is higher, but another one might be lower. Also sometimes they work in the enterprise funds. So we allocated salaries out by percentages to the actual departments they work in. Fuel was raised by \$3,500.00. We are going to go

over budget for this in 2014 based on the cost of fuel. Insurance was increased by 5%. We took \$6,000.00 out of street maintenance because public works seal coated Main Avenue last year and it's done every other year. There's \$2,000.00 for a wire feed welder, and \$6,000.00 for a painter. Both of those are getting old and not really working very well.

Brumbaugh stated the street lighting budget was increased by \$83,399.00. I put in more for electric. We have more street lights than in the past. Sidewalks and crosswalks budget changes due to salary reallocation. The ice and snow removal budget is a crapshoot. It all depends on how much snow we get.

Brumbaugh stated the library budget increased by \$9,192.84. We're seeing more repairs to the building. As buildings get older, they cost us more. We pay SCR \$4,260.00 per year for routine maintenance of certain items. Whenever they do anything extra, we have to pay them. That line item needs to be increased for unanticipated repairs. Konshok questioned what is that for? Fieldsend stated mostly it's for the elevator, and also for H-Vac. Brumbaugh stated Kitchigami is asking \$43,293.00 for the levy and the repair and replacement fund is \$3,601.00. They used to be on a three year repair and replace, now they are on a five year rotation, so they are keeping their equipment longer. Konshok questioned that's not negotiable from our standpoint? Brumbaugh stated you have already agreed to that.

Dick Rutherford questioned have you ever thought about a library fee? If you go into the library, a lot of the people there are from outside of the city limits. They are using our library. If you had a library fee, everybody would be paying for their use. Nordberg stated half of the library budget is paid for by the county. Brumbaugh stated the county contribution is over \$100,000.00. Nordberg stated the county pays for the salary costs, and we pay for the hardware. Konshok questioned are we allowed to charge a fee? Brumbaugh stated I can ask. McKinney stated the deal we have is mandated by the state. Brumbaugh stated if you choose to cut back on the levy, they would in turn cut back on services. In the past if someone else in the regional system didn't give the full amount, all the branches took the cuts. We've always have supported them to the fullest amount they have asked for, and we get the benefits that we are paying for. If we don't meet the state guideline for funding based on our past expenditures, we have to still pay it. Nordberg stated we have always provided 100%, but the county has shorted them, they did cut back immediately.

Rutherford questioned we're involved with the big library, do they pay us anything? What do we get out of them? McKinney stated we do the building and they do books, salaries, and everything else. Nordberg stated they lobby the legislature for their funding. Brumbaugh stated all of the employees are paid through Kitchigami.

Brumbaugh stated the parks budget is up \$67,037.23. \$10,000.00 has been allocated for repairs to the tennis courts. The city will repair two of the courts, and the Tennis Association will do the other two. That is for just the supplies and the association will do the work. Fieldsend stated they are looking at funding through the US Tennis Association, so it's possible they won't need that much. Konshok stated that would be a matching grant, but we can't count on that. McKinney stated they are partnering with us. Konshok stated they are picking up the material costs for two of the courts and all of the labor. That's significant.

Nordberg stated it's the same with the capital outlay on the softball fields. Fieldsend stated I contacted them about possibly getting donations. This allocation is for two dugouts and they need four. Konshok stated the \$6,000.00 is just for the materials for two.

Nordberg stated I forwarded an application to Itasca Mantrap so they may get a contribution from there for materials only. They were going to volunteer the labor. McKinney questioned so two dugouts aren't getting done in 2015? Fieldsend stated that's right.

Brumbaugh stated \$65,000.00 of that is for the Red Bridge building. That is on the CIP for 2015. Natural resources increased by \$912.98. Salaries will go down, and tree planting is up. Konshok stated the way the \$65,000.00 for the beach house is currently in the CIP and is out of the general fund. It is possible to spend that out of the liquor fund. The last time we did the CIP, we were putting a lot of pressure on the liquor fund, so we choose to put it towards the general fund. It could go in either one of those. It's not eligible for any of the other enterprise funds. Brumbaugh stated on November 12th we'll discuss the CIP and you will have a chance to talk about the 2015 plan, if that is your priority, than you can switch it. McKinney stated the CIP has the items in it but it has multiple ways of funding depending on the project. This is in the CIP, but the money is coming out of the general fund, as it's currently proposed. Konshok stated out of all of the funds used in the CIP, the ones out of the general fund affect the levy. The Park Board met yesterday, and Walker was going to discuss adjusting the CIP with specifically the beach house in mind. Rather than shifting it into an out year, we may look at shifting in to the liquor fund. McKinney stated for tonight, what you do will affect the general fund, the CIP will come to you at a later date.

Brumbaugh stated the \$1,500.00 in natural resources is to replace dead trees. We're not adding trees. The council budget is decreased by \$208.00. The decrease affects meetings/conferences and mileage. There is still money there, \$1,200.00, but there has not been a lot of usage in the past. If that needs to be increased, just let me know. I increased payments of other agencies by \$200.00. Based on a contract, we pay a portion of the actual expenditures for the wayside rest. The city pays 45%, the county pays 45%, and the chamber pays 10%. Each entity is responsible for certain duties. The city plows in the winter, the county mows in the summer. The chamber administers the custodial contract.

Brumbaugh stated administration is increased by \$8,965.94. There were several small increases, insurance, a copier, postage, and advertising. We added money for a pay equity study. We haven't had one done since 2001. Since we've had change to positions, a new study should be done. Konshok questioned what is the reason for the pay equity study? Brumbaugh stated we have to conform to pay equity every three years. We last did it in 2013. Elections budget is decreased because there is no election in 2015. I kept \$2,000.00 in there for new voting booths. We currently budget \$60,000.00 for attorneys, for both the county attorney and Flaherty & Hood. The increase for government buildings is \$4,700.00 for repairs and maintenance.

Brumbaugh stated the planning/zoning budget decreased by \$675.00. There is a slight increase in salaries. But we decreased meetings and conferences. Last year Walker got his AICP certification so it's not needed for this year. We also decreased ordinance updates by \$3,500.00 and increased advertising.

Brumbaugh stated contractual services have decreased. Unallocated expenses decreased by \$5,000.00. The transit budget remains the same.

Konshok stated the Finance Committee met with all the department heads and went through the numbers. We checked on things, asked questions. We made adjustments to a few things. Kudos to the department heads. I wouldn't say there is any fluff in this budget.

It's mostly small amounts creeping up over time. Overall there was a \$200,000.00 increase, which is a 16% increase on the levy. We did recommend some cuts, which we talked through and discussed. We gave those to staff to prep and put before the Council as potential options and what that would do to both the budget and the levy. The memo here are those recommendations that we could identify, and the subsequent pages are what affect that has on the levy.

Konshok stated one option is to hold off replacing a police officer for a year. I would modify that language. What we are talking about is a hiring freeze and what affect that would have on the budget. At this time the only vacancy on the books happens to be in the police department. That is the only vacancy at this point. It would hit first and impact the police department immediately because of their vacancy. I'm proposing a hiring freeze.

Konshok stated as was mentioned the beach house is currently in the general fund as a line item, along with the squad car, and the laptops for the police. Those would be eligible to be picked up by the liquor fund. Those three items were identified to be done under the general fund. We could shift them to the liquor fund, as opposed to be paid from the general fund.

Konshok stated another recommendation was moving 10% of the salary of the administrator and the treasurer to the water/sewer enterprise fund. Some of the wages of the employees from the public works department are allocated to the enterprise fund. We are allowed to do that for operations when they are working on water/sewer. We don't charge any administrative time towards those enterprise funds even though it's clear the treasurer and administrator do spend portions of their total time working on those enterprise funds. We recommend as a general proposal, what if we picked up 10% of the salary for both the treasurer and administrator in the enterprise funds, specifically water, sewer, storm sewer, and liquor. The public works superintendent salary, a portion of it is paid for by water/sewer, but nothing from storm sewer.

Konshok stated it was mentioned that we need to do a pay equity study. There is the potential to push that out a year. So we would do that in 2016, and not in 2015.

Konshok stated those are the options that we are looking at. Brumbaugh stated if you took out the proposed beach house, and the officer, the levy for next year would increase .08%. Konshok stated it takes out everything except the transfer of the laptops and the squad car. If you took those out there would actually be a reduction in the levy over last year's number. Brumbaugh stated with the different options available to you, based on what you leave in or take out, the levy increase could be anywhere from .08% to 6.99%.

Nordberg stated we talked about the bond payments and having no control over them. Brumbaugh stated the bond payments for 2015 have gone down, so their effect on the levy will be -3.8%. We paid down one of the bonds in 2014, so the levy is decreased on that particular bond by \$47,000.00. That helped tremendously to reduce the levy. When we started this process, on the expenditure side, there was a 16% increase. Now with the draft in front of you it's a 7% increase, if you don't make any changes.

Mikesh stated I'd like to look at the issue of replacing the police officer. We just came down on overtime. I think if we don't replace that officer, all that overtime is going to go back up. We need to look at replacing that position. Randall stated I'd like to see more from Eilers if that is feasible. Eilers stated I'll cover shifts, but they'll be overtime shifts. It drops it back to single coverage. Everybody will be working alone. There will be no double coverage. McKinney stated plus if we have an injury or loss, then we'd really be in trouble

with overtime. Eilers stated the main thing is it will drop back to single coverage. Right now I have overlaps. Or we could stop 24 hour coverage, but I don't think we'd want to do that. Nordberg questioned even with the part time people? Eilers stated the part time availability is really crappy. There are just not enough of them out there. I turned down two vacation requests this week because I have no one to fill the shifts.

Mikesh stated I'd like to fill the open officer position. Randall stated when I talked to Eilers about replacing that officer I encouraged him to come to the Council to suggest we hire someone at a higher step increase and not start with a brand new police officer. If we post that we're willing to start at a higher step we'll get someone with experience. We are a small department. We don't have a lot of opportunities for field training. I'd rather not see us hire someone brand new right out of school. Brumbaugh stated I budgeted for an entry level position.

Konshok stated the Finance Committee looked at the total budget, after Eilers made his presentation to us, and we saw a 16% increase. We should have told Eilers to come back in. If we had a hiring freeze, and that's something that we should consider, we had just complimented Eilers on how well his department is being run. Even though this is at the top of the list, I wouldn't say that's our preferred option. We know if we do a hiring freeze, in any department, often times that results in overtime. You're not going to save that pure amount. Then there's the stress and strain on the police department. But, we need to acknowledge that it's an option. McKinney stated keep in mind that we have that vacancy now. If you put in a freeze on next year, so the overtime factor impacts this budget as well as next year's budget. Konshok stated and any other department if they have a vacancy as well. It would only be fair to carry that through. I don't want the concept focused on the police department.

4. ADJOURNMENT: A motion was made by Konshok, seconded by Randall, and unanimously carried to adjourn the workshop at 6:10 p.m.

[seal]

Mayor Pat Mikesh

ATTEST:

Margie M. Vik
City Clerk