

August 11, 2015

The City Council held a Work Session meeting on the above date. The following were present: Mayor Randall Simonson, Council members Bob Hegland, Dan Lee, Chris Ness, and Jim Schneider. Staff present: Administrator Kristina Handt, Public Works Director Dave Williams, Fire Chief Mike Hinz and Treasurer Colleen Firkus

Mayor Randall Simonson called the meeting to order at 6:30 p.m.

### **APPROVAL OF THE AGENDA**

**Ness, seconded by Lee, moved to approve the agenda as presented. The motion carried 5-0.**

### **2016 – 2010 CAPITAL IMPROVEMENT PLAN**

Brad Borg presented the Capital Improvement Committee's recommendations to the Council. For 2016 through 2020, the draft CIP includes 23 separate projects with a total estimated cost of \$5,261,800.

#### **Street Projects**

The current funding level (\$330,000 per year) has been maintained, with the addition of a \$900,000 project in 2016 for a reconstruction of 236<sup>th</sup>, 237<sup>th</sup> and Novak. The reconstruction would be funded by the Local Road Improvement Fund.

**Equipment Replacement Fund:** In 2015, the City transferred \$20,000 to the fund. The draft 2016 budget and CIP show proposed transfers of \$20,000 in 2017 and subsequent years. The Capital Improvement Committee (CIC) is recommending that the transfer be suspended for 2016 since adequate cash flow is available in the fund. The chart below shows the cash flow in the Equipment Replacement Fund from 2016-2025 assuming a \$20,000 per year contribution from 2017 and on. The lowest the fund balance would reach under this scenario is \$35,000 in 2024 but would continue to cash flow through 2025. Because of the healthy projected fund balance, the CIC decided to establish the threshold for borrowing for projects at those over \$100,000 and suspend the annual contribution in 2016.

#### **Project Highlights by Department**

##### ***Fire:***

- 12-15 SCBA and 30 Masks as well as the SCBA compressor replacements remain for 2017.
- Fire Hall HVAC replacement has been moved from 2016 to 2020
- The Chief's vehicle has been moved to pending
- The Civil Defense Sirens (tornado sirens) have been moved from 2019 to 2020
- The second fire station has been moved to pending until further research and analysis is completed
- Radio replacements remain for 2018 but this is largely tied to the County's schedule for replacement
- A fire training structure has been moved to pending
- The fire hall roof replacement remains for 2019
- In later years, the replacements costs have been updated for Tanker 5178 (\$180,000 to \$250,000) and Engine 5176 (\$600,000 to \$700,000).

***Ice Rink:***

The replacement of the Zamboni has been pushed back a few years to 2020, if grants/donations are obtained. The Public Works Director believes it will last longer after the maintenance performed on it these last few years.

***Parks and Recreation:***

- Lilleskogen Park Restoration remains the top priority for the Parks and Recreation Committee. Assuming the 2015-2019 CIP is amended as stated previously, the recommendations have been updated for years 2016-2021 to complete the park improvements. The wetland restoration activities in years 2016-2021 would be funded from the general levy (\$13,100 over six years) and all other updates (benches, picnic shelter signage, boardwalk, etc.) would be funded with grants and/or donations (\$45,200).
- No changes were made for a full reconstruction of the tennis courts in 2018. Resurfacing was completed in 2013.

***Public Works:***

The remaining Public Works projects are equipment replacements. Changes to the expected useful life and cost estimates for several items have been made but do not have a significant impact on the first 5 years of the plan from previous plans. The CIC is recommending the grader be removed from the CIP and instead continue using it until it is no longer functional or economical and then contract out for grading services.

***201 Wastewater Systems:***

Capital Improvements for the 201 Wastewater System around Big Marine Lake include updating the control panels on Bliss Lift Station 1 and 2 and the pumps on Bliss Lift Station 2 in 2017, instead of 2016, to the new SCADA system implemented on the rest of the system in 2015.

***Overall Spending & Discussion***

Borg directed the Council's attention to the overall spending of within the Capital Improvement Plan between departments, with 89% going towards Public Works, 8% to Fire and 3% to Parks. Half of the Parks portion comes from grants and donations, so the true percentage going to Parks is only 1.5%. Borg asked the Council to consider whether the proportion of the spending of Capital dollars represents the values of the citizens of Scandia. He stressed it is good for the whole community to invest in parks. Breaking it down further, Borg figures \$9.68 is spent per year per household on Parks, while \$53.35 per year on Fire and \$611.33 per year on Public Works. He asked that the Council consider the overall capital spending between departments during the budget process. Borg believes the Capital Improvement Committee is a valued resource to the Council by making the Capital Improvement Plan easier to understand and useful to the Council. Schneider asked where the \$100,000 threshold came from for determining how to fund projects. Borg responded that projects costing less than \$100,000 can be cash flowed over the next ten years assuming a \$20,000 per year contribution from 2017 and on, and larger equipment purchases being financed by borrowing.

Fire Chief Hinz joined the meeting. Council questioned the use of the compressor that is scheduled to be replaced in 2016 for \$17,000. Hinz indicated they use a cascade system where they fill four tanks and then refill any breathing apparatus bottles from those tanks. There is also

a portable unit on a truck that needs filling. It takes all night, up to 13 hours, to refill the tanks. Current compressor is 5 hp. New one will be 7 hp. Old compressor is serviced yearly with the oil changed and air quality checked. Particulate matter is starting to show up in the air which means the rings are going bad and it is time to be replaced. Council asked if there is value in trading in or selling the old compressor. Ness asked the age of the compressor. Hinz indicated it is 15 years old.

Hinz was asked about the 12-15 SCBA replacements. Masks, harness and backpacks are all replaced. It is hard to get parts as the company that makes their current SCBA's is no longer in business, and the packs are failing faster than they can get replacement parts. Hinz indicated it is a high priority to replace the SCBA's with a new company.

Ness expressed concern about the new solar panels being in the way when the Fire Hall/Public Works roof is replaced in 2019. Handt indicated they were told they could be moved to one side, replacing half the roof at a time. Handt also stated the 15-20% savings in electric rates could help pay for a new roof.

The Mayor questioned if the Parks Committee had a strong concept plan for Lilleskogen, and if spending time and money on removing invasive species is productive with all the other projects slated for Lilleskogen. Borg stated he felt the plan conceived in 2005 is being implemented, but also evolving over time as with the addition the proposed veteran's memorial. Borg felt the request for general fund dollars is a moderate investment over a five year period to move forward with removing the invasive species and restore the wetland. Ness indicated he was not interested in spending any general fund dollars on Lilleskogen since they had just loaned \$35,000 to the Park Capital Improvement Fund to finish the parking lot.

**Schneider, seconded by Simonson, made a motion to remove the \$2,000 out of the General Fund expenses for invasive species removal from Lilleskogen Park. The motion passed with Ness, Simonson, Schneider and Hegland voting yes, and Lee voting no.**

Council asked Public Works Director Williams if it was necessary to replace the 2002 Sterling Dump Truck in 2016, and whether a single-axle truck would be sufficient. Williams will research the maintenance records and report back to the Council with a recommendation at the next budget meeting.

### **2016 BUDGET**

Administrator Handt presented the 2016 Budget. The *Administration Dept.* is showing a nearly 9% decrease in expenses through lowering materials and supplies costs by going paperless, and new contractual agreements with the Assessor and copier lease. A new revenue source is a \$3,600 payment for the accounting the city is taking over for the Cable Commission. Handt also pointed out the city is only required to pass 88% of Cable Franchise Fees to the Cable Commission and is currently passing through 100% of fees. Mid-Continent also does not have to pay for utility permits as part of the franchise agreement. The Mayor indicated that 12% of the fees is significant revenue to a small local access station, but not so much to a city's budget, and does not support keeping 12% of the fees.

Council questioned the cost of \$8,000 to wire the board room for sound in the *Council's* budget. Simonson and Hegland felt it was important for people to be able to hear the Council if they come to a meeting. Ness and Lee thought it was a lot of money to wire such a small room. Simonson indicated there is a significant cost in the number of microphones needed, all the cabling, an amplifier and speakers. Hegland offered to do some research and bring information back to the next budget meeting.

*Election* expenses are increased due to elections in 2016 and another voting machine.

Handt noted the addition of 20% of staff time to *Planning & Zoning* to more accurately reflect the amount of time she is spending in that area. When asked by Schneider what that involved, Handt replied she is spending at least one day a week (20%) doing permit reviews for every permit that comes in with a site plan, initial zoning questions to head off questions that would go to the Planner, and code enforcement.

Council discussed the increased cost of the new deputy in the *Police* budget. Schneider asked if Marine has a deputy and if they do a DARE program in their school. Schneider suggested the city could make better use of the money for roads or parks for the amount of actual time Scandia is receiving coverage. Council asked if the question of having a deputy could be put on the ballot next year. Treasurer Firkus suggested the citizens be polled in the fall newsletter on the issue.

**Schneider, seconded by Lee, made a motion to remove the cost of a deputy from the budget, except for the cost of a DARE program.** Ness and Hegland said they would like more time to consider this issue. **The motion failed with Schneider and Lee voting yes, and Ness, Hegland and Simonson voting no.** Handt was requested to research if the issue could be on a ballot, also the cost of hiring a deputy to do the DARE program and whether or not Marine elementary has a DARE program.

*Fire Department* expenses are down 11% mainly due to taking out the transfer to the Equipment Replacement Fund. Hinz was questioned on the necessity of replacing the carpet in the training room and whether an alternative hard surface had been considered. Hinz stated the carpet is in very poor shape and heavily used. He felt maintenance costs could be higher with a tile surface. Office equipment being replaced is a new laser copier/scanner and some new inkjet printers.

Since the Council discussed contracting out the Wastewater functions from *Public Works*, less employee wages are allocated to Sewer Funds. Contracting costs will be discussed at the next Wastewater Committee meeting and reported to the Council at next week's budget meeting. Public Works wages reflect a new union agreement, yet to be passed by the Council. Health insurance costs are lower due to coverage through the union. The 12% increase in Public Works is due to the \$315,000 transfer to the Local Road Improvement Fund from excess General Fund reserves.

*Parks* wages are increased due to mandated minimum wage increases, but overall wages show a decrease as the proposed 2015 full-time parks position was not filled.

No significant changes to the *Community Center* budget.

*Debt* service is going down with the payoff of the 2007 Road Project in 2015 and the 2010 Equipment Certificate in 2016.

There are no planned expenditures from the *Capital Improvement Fund* in 2016. There is \$30,000 of levy revenue proposed to this fund. Since there is a healthy fund balance and cash flow seems to be adequate for the next five years, Handt suggested the Council may consider redirecting some or all of this revenue.

The *Park Capital Improvement Fund* expenses will change to reflect the removal of the \$2,000 for Lilleskogen invasive species removal. The cost of new bleachers and concrete pad is expected to be covered by sign advertising revenue.

The *Equipment Replacement Fund* has one expense scheduled for 2016 for the new dump truck. There is no new revenue proposed for 2016.

The *Local Road Improvement Fund (LRIF)* has a proposed levy of \$567,500 which partly comes from tightening up budgets and a reduction of debt service. There is also anticipated to be \$20,000 of Special Assessments from the paid-off 2007 road bond added to it over the next two years, and a one-time contribution from the State of \$62,000 has also been received in 2015. The creation and the funding of the LRIF allows the City to do a large road project every other year without borrowing or assessing residents by good fiscal management and slowly increasing the levy.

There is no proposed levy for the EDA.

### **2016 HEALTH INSURANCE**

Handt reported that quotes were received back early for proposed health insurance premiums effective 12/01/15. Despite the increases these past two years, cost still remains lower than under the previous plan when controlling for changes in employee turnover. Once the collective bargaining agreement is approved, union represented employees will go with the union offered insurance which has premiums considerably lower for families, but higher for singles. The draft budget assumes this switch takes place this year.

**Lee, seconded by Simonson, made a motion to request staff to prepare a resolution to stay with the current plan and contributions. The motion passed 5 – 0.**

### **ADJOURNMENT**

**Ness, seconded by Lee, moved to adjourn the meeting at 8:55 p.m. The motion carried 5-0.**

**Next budget meeting is Wednesday, August 19 at 6:30 p.m.**

Respectfully submitted,

Colleen Firkus  
Treasurer