

August 30, 2010

A special meeting of the Scandia City Council was held on the above date. Mayor Dennis Seefeldt called the meeting to order at 6:30 p.m. Council members present: Connie Amos, Dolores Peterson, John Lindell and Mayor Dennis Seefeldt. Staff present: Administrator Anne Hurlburt, Treasurer Colleen Firkus, Fire Chief Jim Finnegan, Assistant Fire Chiefs Bill Havener and Mike Hinz, Fire Relief President Jeff Biebl and Treasurer Ernie Yoch. Guests present were council candidates: Mike Harnetty, Tom Krinke, and Sally Swanson.

The purpose of the meeting was to discuss the Fire Relief Association benefit level and 2010 contribution, and review the draft budget line items for 2011. Hurlburt referred everyone to the June 15, 2010 memo in Section 5 of the 2011 Draft Budget book that outlined the impact of approving an increased benefit level of \$2,500 from the current \$2,350 prior to joining the Statewide Volunteer Firefighter Retirement Plan administered by PERA. All assumptions remaining static, there would be no impact on the 2011 municipal contribution of \$58,657, at either benefit level. However, increasing the benefit level in 2010 to \$2,500 is estimated to increase the city's required contribution in the range of \$9,000 to \$12,000 over the following four years. Market performance of investments will have an impact on the actual future required contributions. For example, if investment performance is less than PERA's assumption of 6%, then the city's required contribution will increase to make up the difference. If the benefit level is left at \$2,350 for 2010, then there will be a five year phase-in period before the full benefit level of \$2,500 is reached by retirees. Council did not make a decision on the benefit level.

The minimum city contribution to the Relief Association for 2010 is \$54,717. The Council decided to contribute the full budgeted amount. **Peterson, seconded by Seefeldt, moved to approve the budgeted amount of \$75,000 for the city's Fire Relief contribution for 2010. The motion carried 4-0.**

Mayor Seefeldt brought up the need to have a fair and equitable benefit level. Currently every eligible retiree gets the same benefit level no matter how many hours they worked. Chief Finnegan agreed that a percentage program should be looked at for the future, like having some minimum call requirement and getting less credit if below a certain level. For now, Finnegan said their biggest carrot for recruiting and motivating is the pension benefit and would like to see the benefit level increased to \$2,500 before the end of the year. Hinz indicated that although they have 11 firefighters eligible for the full retirement benefit now, they hope to keep them around a few more years until the new fire fighters are more experienced. He doesn't know if they will be able to keep them another five years, during the phase-in period, so that they can receive the \$2,500 benefit level.

Mayor Seefeldt raised another issue that if the fire fighters get a significant pay increase and the council gets an increase, then the other city employees should get an increase. Lindell and Peterson expressed opposition to any pay increases for employees.

The Council proceeded to review the draft budget for 2011 starting with the Fire Department's budget. It was noted that item #325, City Match-Fire Relief, is estimated at \$58,657, but will

change before the end of the year. Fire representatives then left to attend their training meetings that were in progress at the fire hall.

Next, Hurlburt addressed questions brought up at the last meeting with a memo dated August 25, 2010. She presented a worksheet showing that city employee full time equivalents (FTEs) are 10.693 for 49 employees, split out by departments. Second, information was given on the replacement of the 1997 Ford Dump/Plow Truck. Staff recommended the council consider replacing the plow truck in 2011 and not waiting until 2012, as it was originally scheduled for replacement in 2009 and public works staff has significant concerns about its viability for two more plowing seasons. Third, the memo addressed the budget impacts of the Zavoral EIS on the Planning & Building budget, noting that the city is reimbursed for all out-of-pocket costs, as well as staff time, for this project. Last, the renewal rate for health insurance benefits was received with an increase of 20%. The budget assumption was 18%. Staff recommends staying with the current coverage as the city's "experience" will follow it into any other plan. Total cost of the increase will be about \$3,500, if the new employee elects family coverage. If he elects single coverage, then the cost will decrease. Total city contribution will be approximately \$50,000. A decision needs to be made by October 15, so it will be on the September agenda.

Under the City Council budget, Hurlburt suggested Conferences & Seminars be increased to \$2,000, to allow more opportunities for training of new council members. Council discussed Ordinance No. 94 which will give them a salary raise January 1 based on the CPI. Hurlburt was instructed to prepare a new ordinance to negate the salary increase for 2011 and 2012, then for Ordinance No. 94 to resume its two year salary adjustments.

No changes were suggested for the Planning & Building, Police and Public Works budgets. The increase in health insurance in the Public Works budget is assuming the new employee will select family coverage. If he doesn't, then the expense will go down. Krinke asked for clarification that \$300,000 is budgeted for road maintenance, yet the Pavement Management Plan's recommendation is \$600,000. It was explained that with levy limits, the city is restrained on how much they can levy for road maintenance and would need to borrow for major projects. However, borrowing brings its own complications with the requirement to assess 20% of projects.

The Uptown Sewer budget was discussed at length. There is a study planned for 2011, with the budgeted expense of \$15,000 recommended to be shared 50% by the users of the system. The plan is to get quotes from the two engineering firms the city is currently working with and get started as soon as possible on a master plan for the system. Lindell and Peterson indicated the users should be paying 90% of the costs. Staff pointed out that with the current assumption of 50% shared costs, the users bills will more than triple. Mayor Seefeldt said there is a benefit to the city to keep those businesses functioning with a working sewer system. Peterson also suggested the need to increase the charges for water to the church. Hurlburt indicated there is staff time in monitoring the well that is not reflected in this budget. Also, the health department has put additional requirements on the city for running the well because of the church being a user. Council instructed staff to change the cost sharing to 75% users and 25% city for the 2011 budget.

No changes made to the Parks or Community Center budgets. The Community Center budget includes a modest amount for landscaping the front of the center as well as replacing the flooring.

The Debt Service budget reflects the new equipment certificates for the fire truck. The other two debt service funds are the 2007 Blacktop Fund and the Fire Hall/Public Works Fund.

The Capital Improvement Fund includes one project for a meeting/office space study. The project balance in this fund is \$195,092 for 2010. The only revenue, besides interest, for this fund is \$30,000 of property tax revenue. Staff later recommended that this revenue could be used toward the purchase of a new plow truck.

The Parks Capital Improvement Fund budget includes two multi-year projects listed in the CIP. The projects were changed to survey Wind in the Pines and place boundary markers, and improve signage at some parks. Any work on Lilleskogen will depend on grant revenue.

The Equipment Replacement Fund budget will again be funded by \$80,000 in transfers from other departments to cover future purchases. Expenses include a rear ditch mower and replacement of a 1995 GMC pickup and a 1997 Ford plow truck. Peterson suggested that the city may be able to do better than the state contract and save some money by shopping for a used pickup truck. A used pickup would have to be outfitted with special mirrors and a plow package. Hurlburt referred to her memo of August 25, 2010, in which she provided an estimate for replacing these trucks. The city could rearrange the budget to pay cash for these trucks. This would deplete the Equipment Replacement Fund balance in 2011, but the next purchase is a fire truck that would require borrowing anyway.

The next meeting will require the council to vote on the maximum levy and set a date for the public meeting on levy and budget.

Seefeldt, seconded by Amos, moved to have staff prepare a resolution to set the maximum levy for the September 7 meeting. The motion carried 3-1, with Lindell opposed.

The meeting adjourned at 9:40.

Respectfully submitted,

Colleen Firkus
Treasurer