

**BIG LAKE CITY COUNCIL
SPECIAL WORKSHOP MINUTES**

AUGUST 10, 2023

1. CALL TO ORDER

Mayor Paul Knier called the meeting to order at 4:00 p.m.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

3. ROLL CALL

Council Members present: Ken Halverson, Sam Hanson, Paul Knier, and Kim Noding. Council Member Paul Seefeld was absent. Also present: City Administrator Hanna Klimmek, Finance Director Deb Wegeleben, Police Chief John Kaczmarek, Liquor Store Manager Greg Zurbey, and Streets/Parks/Fleet Superintendent Norm Michels.

4. PROPOSED AGENDA

Council Member Noding motioned to adopt the proposed Agenda as presented. Seconded by Council Member Hanson, unanimous ayes, Agenda adopted.

5. BUSINESS

5A. 2024 Budget Review

Deb Wegeleben provided information on the 2024 draft Budgets. Wegeleben reviewed that before setting the actual levy, staff and the City Council must estimate the expected City expenditures for the next calendar year. Staff also reviews and/or anticipates all non-property tax revenues. This would include charges for services, license/permit fees, fines/forfeitures, as well as intergovernmental revenues. Intergovernmental revenues include state aid received for yearly street maintenance, as well as funds received to support both the Police and Fire retirement funds and any other grants received from any other governmental agency. Also included in non-property revenues is the annual \$450,000 transfer from the Liquor Store. For the 2024 preliminary General Fund budget, the projected costs to provide services is \$6,779,339 which is a 7.6890% increase over the 2023 General Fund Budget. The projected non-property tax revenues are \$2,360,986 leaving a short fall of \$ 4,418,353 to balance the budget. This amount will need to be raised through the property tax general levy. Wegeleben explained that in addition to the general levy, the City must also levy for the 2024 debt payments which is called the Debt Service Levy. For 2024, the debt service levy is \$877,276, which is a decrease of \$209,081 over 2023. The 2021A GO Bond debt payments for 2024 and 2025 are proposed not to be levied, but instead to be paid with funds from the Local Government Aid (LGA) that has been allocated for debt payments.

The 2022A GO Bond that was issued for the 2022 Street project will not have a debt levy for 2023 and 2024 as the premium funds received when this bond was issued will be used to make the debt payment for those two years, noting that this will save the tax payers as it reduces the debt levy. The debt levy is 16% of the total levy amount and meets the City's financial policy guidelines of not exceeding 50% of the total levy. The City also levies for the EDA, which for 2024, is the same as 2023 at \$130,000. The City also levies abatement levies for Lupulin Brewing and Carlson Development Group, which for 2024 is \$57,050. The total 2024 Preliminary Levy amount is \$5,607,316, which is an increase of \$260,831 or 4.88% over the total amount needed in 2023. The projected City's Tax Rate is 37.23%, which is a decrease of 2.25% from 2023. The City's net tax capacity has increased by 11% to \$15,062,261. This increase reflects the average increase to residential homestead properties of 6%, commercial properties of 2% and apartments 12%.

Wegeleben also discussed that the levy amounts needed are divided among all non-exempt property in the City, and are based on each parcel's tax capacity which determines the City's tax rate. The County Assessor determines the market value the year before taxes are payable, noting that this was done in January of 2023 for the 2024 taxes. The information used to determine the market value would have been new construction, improvements to existing property, and sales of property from October 2021 to September 30, 2022. The market values must be within 90 – 105% of the actual sale prices made during the same time frame. For the City, the net tax capacity has increased by 11%, of which approximately 2% is new construction. Each parcel is also assigned a class rate based on the use of the property as dictated by the legislature. The legislature can change the classification system, which can shift property tax burden from one class of property to another. Each parcel's taxable market value is multiplied by the class rate which determines the parcels tax capacity. The City's tax rate times each individual property tax capacity will determine the amount of property taxes that will be paid by the property owner to the City to cover the total funds needed for the total levy. This is done for each taxing authority including School, County and City, and this is why the total local tax rate for 2023 was 107.985%. When there is new construction, this helps lower the City's tax rate, which in turn will help existing taxpayers as there are additional parcels to help cover the levy. Wegeleben reviewed that with this first draft, staff tried to include any scenarios that could arise in the coming budget years for 2024-2028, noting that what is implemented in one year will affect future years. For 2024, the increase in staffing is for an additional officer for the police department, which will bring the total number of officers to 16, as in 2023 Council approved the hiring of the 15th officer. In the 2025-2028 concept budgets, staffing is increased based on the recommendations from the study, however these are not guaranteed positions as Council will only be approving the 2024 budget and staffing. As Council is aware, the preliminary levy amount is the maximum that can be levied for the coming year and must be certified in September. Council can choose to lower the levy with the final approval in December but cannot raise it. Staff will continue to look for cost savings before the final levy and budget are approved in December.

Council Member Halverson asked how the Fire Department gave \$120,000 back to the City/Township that was put in a CIP account, and then come back and ask for a \$12,000 increase. Halverson clarified he isn't saying they should get their budget cut, but he doesn't understand how it goes up when they had a surplus. Wegeleben responded the Fire Board has decided they need a Training Officer and pay them a stipend. Halverson feels like they are \$120,000 up and now we are going to tax the taxpayers another

\$12,000. Wegeleben stated we tried to make their budget zero, but what hit us was State Mandates and deciding to add the Training Officer. Prior to those items, it would have been a zero increase. Halverson questioned how those two things would have eaten up the \$120,000. Wegeleben clarified the \$120,000 was from accumulative prior years savings since we have had the JPA, it isn't just an overage from last year. Wegeleben discussed feedback she has gotten regarding the State cracking down on cities proving police and fire training requirements are being met, in order to be reimbursed.

Wegeleben reviewed personnel line increases that are due to the City's pay plan increasing, mandated State changes, increases in training, and an increase to election judge pay starting in 2024. Halverson discussed the high cost to irrigate City parks, and suggested staff put together a program on each park and what it would cost to update or install irrigation wells. Halverson noted in 2 years, we have spent \$75,000 watering one park so installing irrigation wells should be a cost saver in the long run. Norm Michels responded that staff will be meeting the Traut Wells to get some preliminary ideas on what we could potentially do. Michels also discussed we need to consider the iron content of our higher water areas that would be damaging to our park equipment. Mayor Knier questioned what the cost will be to install wells, and Halverson responded that we should attempt to get some solid numbers. Michels discussed the meeting with Traut Wells should provide some clarity on available options and potential costs. Halverson asked when final levy numbers will be known. Wegeleben responded the numbers presented at the workshop are considered Preliminary Levy numbers and will be brought back to the September 13, 2023 Council Meeting. We would set our Preliminary Levy at that time at \$5.6M which is a 4.88% Levy increase, and discussed we will still have opportunities to look at reducing that percentage before the Final Levy is adopted in December 2023. Mayor Knier discussed that next year we are looking at a 11.4% levy increase and asked how we can get that number down. Wegeleben reviewed that for the concept budget in 2025, we are planning to implement staffing based on the BakerTilly survey results, which will include an additional Streets/Parks employee, and another Police Officer. This also reflects an increase in our debt levy for our yearly debt payment. Knier acknowledged that he understands we should be able to scale that percentage down. Halverson discussed possible grant opportunities for adding another police officer, noting there should be flexibility within our department hiring's to help with the overall costs. Knier stressed long-term planning strategies regarding future concept budgets. Knier also discussed that taxes are going up, but they are going up less than inflation. It would make sense to expect that as the cost of labor and expenses goes up, the taxes are going to go up a little bit. Halverson responded that we will be putting more houses and industry into the market. Wegeleben discussed we want the City tax rate to continue to go down, or not increase as high as the values are. Halverson stated that if the dollar amount we pay on our taxes every year goes up, that means the city is spending more than they are taking in. Wegeleben stated the need to continue looking for additional revenue sources, and Council Member Noding commented we will have more rooftops and new business next year.

6. ADJOURN

Council Member Hanson motioned to adjourn at 5:04 p.m. Seconded by Council Noding, unanimous ayes, motion carried.

Gina Wolbeck
City Clerk

08.23.23
Date Approved by Council