

**BIG LAKE CITY COUNCIL  
SPECIAL WORKSHOP MINUTES**

**AUGUST 25, 2022**

**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, Kim Noding, and Paul Seefeld. Also present: City Administrator Hanna Klimmek, Finance Director Deb Wegeleben, City Engineer Layne Otteson, Acting Police Chief Sam Olson, 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 Seefeld, unanimous ayes, Agenda adopted.

**5. BUSINESS**

**5A. 2023 Budget Review**

Deb Wegeleben provided information on the 2023 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 the 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 2023 preliminary General Fund budget, the projected costs to provide services is \$6,290,520 which is a 9.90% increase over the 2022 General Fund Budget. The projected non-property tax revenues are \$2,187,128 leaving a short fall of \$ 4,103,393 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 2023 debt payments which is called the Debt Service Levy. For 2023, the debt service levy is \$1,113,607, which is a decrease of \$248,490 over 2022 and includes the 2021A GO Bond that was issued for the 2021 street projects. The 2022A GO Bond that was issued for the 2022 Street projects 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 21% 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. For 2023, this levy amount is the same as 2022 at \$130,000. The City also levies abatement levies for Lupulin Brewing and Carlson Development Group. For 2023, the levy amount is \$12,050. The total 2023 Preliminary Levy amount is \$5,359,050, which is an increase of \$224,321 or 4.37% over the total amount needed in 2022. The projected City's Tax Rate is 39.82%, which is a decrease of 8.92% from 2022. The City's net tax capacity has increased by 28% to \$13,459,194. This increase reflects the average increase to residential homestead properties of 23%, commercial properties of 6% and apartments 16%. Wegeleben discussed that these increases are typical across the state and nation.

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 2022 for the 2023 taxes. The information used to determine the market value would have been new construction, improvements to existing property, and sales of property from October 2020 to September 30, 2021. The market values must be within 90 – 105% of the actual sale prices made during the same time frame. For 2023, property values state and nationwide have increased substantially. For Sherburne County, the total valuation has increased 30%. For the City, the net tax capacity has increased by 28%, of which approximately 3% 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 2022 was 128.351%. 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 2023-2027, noting that what is implemented in one year will affect future years. This year the market rate increase to the personnel budget is expected to be approximately 5% based on preliminary results of the compensation pay study that was recently completed. Wegeleben noted that she did hear back from the consultant and they confirmed that 5% is a good estimate for now as we are approximately 4.3% under market on some positions.

Council Member Halverson discussed that we plan to carry over 50% year to year. Currently we are at 65% which means we are 15% above on a \$6M budget this amounts to \$900,000 that we are overcharging in taxes that we don't need to. Halverson suggested a 3% to 5% cushion instead of a 10% to 15% cushion. Wegeleben clarified that building issuance was out of budget which was why dollars were transferred last year. Wegeleben reviewed how building permit fees are estimated in a budget, and how an overage can affect the general fund, as well as unexpected expenses that generally come up each year and how those unexpected costs are funded. Wegeleben discussed that she anticipates that we could

have \$400,000 left in our general fund reserves at year-end. Wegeleben reviewed the unassigned fund balance which is what we have to have at 50% at year-end which stays in the general fund, unless at year end we transfer. Last year, we transferred \$100,000 towards Parks and the rest went into our Street Improvement Fund. If we tax \$300,000 less on our levy, that would mean we would have a reduction in our overall levy amount, our tax rate would go down substantially and everyone would see a reduction on the City's portion of property taxes. In order to balance our budget, that \$300,000 would come from the unallocated fund balance. Mayor Knier discussed that as a Council, we will need to come to a decision on whether we want to keep the tax rate as low as possible, or have a reasonable increase, noting we should be careful about using the words "over-taxing". Knier discussed that we need to ensure that an increase is reasonable, and that we are looking to the future to pay down our debt and put aside some money for other projects. We originally were looking at an 8% increase, which has now come down. Wegeleben reviewed that for the last couple of years, we have ended the year at 65% to 67% due to the increase in building permit revenue, and that is why we have been able to transfer money to other funds. Knier stressed that we are not wasting money, we are putting it towards things that are needed. Knier stated that he likes that the numbers are conservative, that we are saving money, and having reasonable tax increases. Halverson stated that if we continue to consider increases as reasonable, when do we stop being reasonable when our budget continues to increase every year. Halverson also discussed that with the proposed budgeting process, we are taxing people that might not be here when the improvements actually get installed. Halverson stated that he strongly disagrees with the tax me now concept for someone that might move here in 2026. Knier discussed that it is a difference of philosophy, noting that if we have to borrow for projects, the costs increase due to interest costs. Council Member Hanson noted that it isn't necessarily that it means taking more than we need, but is a way to use unexpected income, which has cushioned us a lot more than in previous years. Wegeleben noted that Council can choose to use some of our reserves to balance our budget for this year, but we would still do the transfers, it would just mean that for that this year we wouldn't levy as much. We also have to keep in mind, everything we decide this year, will have an impact on next year. If our actual valuation doesn't meet the budgeted numbers, we could have a substantial increase to the levy next year. What we do today, impacts tomorrow. Halverson stated that he doesn't like the concept of an acceptable increase. We talk about how people are going to have to make tough decisions, and he feels it is more important for families to keep their houses, buy groceries and meet the needs of their family, than for the City to be putting aside funds. There is no acceptable increase when inflation is through the roof and people are having to make tough choices. Wegeleben discussed that we would still transfer \$350,000 of our franchise fees to our parks and streets funds so we aren't taking away from what we are hoping to do, we are just using some of that money we've gotten in the past to help offset it this year. Wegeleben reviewed proposed levy increases for surrounding areas which is expected to be a 7.54% increase in Albertville, a 9.37% increase in Becker, a 10.9% increase in Buffalo, a 12.8% increase in Elk River, a 17.9% increase in Greenfield, and Rogers is projecting an increase of 19.5%. Knier stated that he is a long-term thinker and is conservative, noting that bad times will come back and we need to have funds squirreled away to cover costs. As an organization, we have been at the 4% to 5% increase for the past few years, and Halverson asked what makes it an acceptable increase, because we have done it the last five years, or because it is right. Knier feels it is right as we will experience tough times again. If we can lower the overall expenses for the majority of people in town over the long run by paying down our debt and planning ahead, that is his philosophy and what he ran for office on. Council Member Seefeld

stated that he is in total agreement with Knier, noting the cost savings the City will experience by not having to bond for projects. Wegeleben stated that she prefers we not have to put franchise fees into our general fund, so we have to get to where the \$350,000 is not going into the general fund because the State could regulate the City not being able to do franchise fees, which was agreed to by Seefeld. Seefeld discussed that he feels it would be more transparent for the City to levy these costs versus charge franchise fees. Wegeleben also cautioned that we might also not get LGA which is what buys our equipment. Layne Otteson reviewed the future Minnesota Avenue street extension that will be needed and the need to plan for funding for the City's portion of this project. Council further discussed franchise fees versus levying for these funds.

Wegeleben reiterated that the City has to have a balanced budget. We have to have enough revenues or fund balance to balance the expenditures. We are projecting that at the end of 2022, we are going to have some excess because building permit fees are more than we budgeted for. Knier responded that we have seen fluctuation in building permits issued from year to year. Klimmek noted that if we wouldn't have had hail storms in May and the Premier Marine permit issuance, we most likely wouldn't have met our permit fee budget. Wegeleben explained that we are not using what we are thinking we will get next year, we are using what we know we have already received for this year. Knier stated that he wants to continue using the strategy that we've been using, and Wegeleben reviewed that the City's financial policy requires that we must stay above 50% of our next year's concept budget. Knier stressed that while we are being a little conservative on this, that is what good financial practice is.

Knier asked if we received back the compensation pay study yet. Wegeleben reviewed that the study findings show we are approximately 4.3% below comparable markets for some City positions. They have suggested we keep the projected 5% increase as it can be whittled down when we do our final levy adoption. Knier also asked why the Carlson and Lupulin Brewing Abatement levies are only projected at \$12,000. Wegeleben explained that when the Carlson Group project was valued, it was only vacant land. Wegeleben discussed that we have to show this as an Abatement Levy because at any given time, the State can freeze levy increases. The Abatement Agreement that the City has approved requires payment and must be listed as a special levy. Knier stated that Abatements have to be listed in the levy, but aren't paid for by the levy.

Wegeleben reviewed that surrounding communities are proposing pay plan adjustments from 3.5% to 7.5%, noting that the increase the City is proposing to our pay plan is in line with the surrounding areas. Halverson asked where we sit with our Liquor Store wages. Wegeleben responded that they are on the same pay scale as other City employees, noting they are projected for a 3% step increase, and 6% between each grade. If the pay plan moves up, their wages would move up as well. Halverson stated that the need to re-look at the part-time wages due to increased turnover. Wegeleben cautioned that we always need to be aware of our pay equity reporting requirements, and referenced the recent increase to seasonal employees to \$15/hour. Wegeleben reviewed how job descriptions are scored and submitted to the State of MN. Greg Zurbey discussed the need for flexibility on where new employees are hired at on the pay grade compared to where current employees are at. Wegeleben indicated that she can look at what the impact would be on the liquor store budget to raise liquor store employee wages, noting that an increase would not impact the levy. Wegeleben indicated that she will review and

bring back to a future Workshop the potential budget impact this type of increase could have. Wegeleben indicated that the proposed budget also includes a \$25 stipend for Parks Advisory Committee Members which will amount to \$2,200 per year. Council Member Noding discussed that at least 60% of the surrounding communities offer a stipend for their Parks Advisory Committee Members.

Wegeleben also discussed that the Finance Committee directed that the additional Police Officer position be put on hold until the new Police Chief is on staff to see what he will need. In the event that he does decide he will need an additional officer, a budget adjustment can be made next year at the direction of the Council, and extra funds that we receive this year could be used to fund that. Sam Olson stated that he can guarantee 100% that Chief Kaczmarek will want a new officer. Starting this position in January would be much better than waiting until July. Olson indicated that the department is short handed and the officers are beyond stressed out and have had substantial overtime. Council Member Hanson noted that the department is currently down an officer, and Olson informed Council that Officer Siebert will be leaving on September 28 instead of November 1 so we will be down even more. Wegeleben noted that adding the position back in will have a bearing on the levy if Council decides to go that route. Council directed staff to leave the preliminary budget as is, and if the new Chief feels we need to implement the position, we will bring it to Personnel Committee and Council for consideration.

Wegeleben discussed that the preliminary levy amount is the maximum that can be levied for the coming year and must be certified by September 15. Council can choose to lower the levy with the final approval in December but cannot raise it. Staff and Council will continue to look for cost savings before the final levy and budget is approved in December. Mayor Knier discussed that staff has done a great job, noting that we have an upcoming \$20M project and any money we can put toward that is money that we won't have to pay interest on later. Council Member Noding asked what the timeline is for the wastewater treatment plant improvement project. Dan Childs responded that it will be a long process and will probably take at least two-years before a shovel hits the ground. Otteson noted that the improvements can be expected to be operational by year 2026. Childs indicated that we have already started looking at grant dollars, but SEH won't submit anything to the State until 2023. Noding asked if it will be possible to get the entire project funded through grants. Childs stated that he feels we have the right company working on our behalf and they have gotten substantial amounts for other communities.

Council Member Noding stated she would like the preliminary levy to be as low as it can be without putting the City in jeopardy. Mayor Knier noted that while we are still making progress at 4.37%, we would make a little more at 4.77%, and reminded Council that the Abatements are included in that percentage, but it won't be a significant impact due to the Premier Marine being a vacant lot at the time. Council Member Hanson stated that he would rather shoot higher now and whittle it down when we adopt the final budget, noting that he would be alright with setting the preliminary budget at 4.77%. Council Member Seefeld discussed surrounding community preliminary increases. The general consensus of the Council was to increase the preliminary levy increase to 4.77% and to add the additional dollars into the police budget in preparation for corrections to their worker's compensation insurance costs. Wegeleben also indicated that she will look at the Liquor Store pay scale and will bring it back to see what the impact will have. Wegeleben stated that she will bring the Preliminary Levy to the September 14, 2022 Council Meeting for consideration.

Layne Otteson reviewed streets that he is proposing be seal coated in 2023 which will be funded by the CIP fund.

**6. ADJOURN**

Council Member Noding motioned to adjourn at 5:37 p.m. Seconded by Council Member Halverson, unanimous ayes, motion carried.

Gina Wolbeck  
City Clerk

09/14/22  
Date Approved By Council