

**BIG LAKE CITY COUNCIL
SPECIAL WORKSHOP MINUTES**

AUGUST 11, 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, City Clerk Gina Wolbeck, Finance Director Deb Wegeleben, Acting Police Chief Sam Olson, Fire Chief Seth Hansen, Liquor Store Manager Greg Zurbey, Streets/Parks/Fleet Superintendent Norm Michels, and Water/Wastewater Superintendent Dan Childs.

4. PROPOSED AGENDA

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

5. BUSINESS

5A. 2023 Budget Review

Deb Wegeleben provided information on the 2023 draft Enterprise Fund Budgets and the Capital Improvement Plan (CIP). Wegeleben gave an overview of proposed utility rates for 2023 including a 0% increase to water and a 2% increase to sewer, an 8% increase to industrial water and sewer per contract, and a 5% increase to municipal water usage with municipal sewer rates remaining flat. The budget also takes into consideration if the City has to bond for new wells or meters, we take that into consideration for the rates to make sure we still have a positive cash flow. Even taking those into consideration, we would still have a positive cash flow which is why Staff is recommending no water rate increase for this year for residential and commercial users. Staff provided a comparison of Big Lake's water/sewer rates to surrounding communities and the City's rates are right in the middle. Wegeleben reviewed the Water Fund, Sewer Fund, Storm Sewer Fund, and Liquor Store Fund.

Council Member Halverson asked how depreciation is calculated, and Wegeleben responded that it is from a mathematical formula.

Mayor Knier asked what fees go into the storm sewer fund. Wegeleben responded that we charge \$4.95, and these fees fund the maintenance for all the stormwaters. Wegeleben also noted that we are projecting an increase due to new home construction over the past couple of years.

Mayor Knier noted that last year, the City transferred \$450,000 from the Liquor Fund and now we are showing a loss after that transfer. Wegeleben explained that it is a budgeted loss, not an actual loss. Greg Zurbey reviewed that we tend to be more efficient at year end, and Wegeleben explained that the budget doesn't take into consideration the store's ending inventory. The minute he buys something, we expense it even though he hasn't sold the product. It's truly not an expense to us until he sells it so at the end of the year, we will credit the cost of goods sold. Halverson discussed City projects the liquor store transfers funds, which last year it funded the Powell Park improvements. Wegeleben also indicated we transfer funds into the Liquor Store CIP also to set aside funds for repairs.

A summary of the 2023 CIP was also reviewed, and Wegeleben noted that the plan identifies needs for each department through 2027. Wegeleben reviewed that at the last BLEDA Meeting, it was discussed that it is important for them to meet their goals which requires funds to start developing land or bringing a development together to sell to someone else so that it brings that property back onto the tax roll. BLEDA is asking that the City Council be willing to front a one-time property acquisition fund in the amount of \$250,000. These funds would come one time, not every budget year. Wegeleben noted that Fund 198 (CIP Infrastructure Fund), has an allocation called future development which has \$698,000 in the fund. Those funds are set aside for this type of project. Wegeleben stated that she believes the City should not be in the business of owning property, but that could be something that is in BLEDA's mission. The \$250,000 would be allocated to BLEDA in their fund for an acquisition fund.

Council Member Halverson asked if it would be a revolving fund. Wegeleben indicated that the funds would be placed back into the BLEDA fund to be used for additional projects. Mayor Knier discussed that if the BLEDA would make substantial money on the return of funds, then the Council could opt to return some funds to the City. Hanna Klimmek discussed that the funds could potentially sit in the BLEDA Fund for a number of years, noting that the right opportunity will have to present itself for a project to be invested in.

Mayor Knier discussed the \$100,000 that is in the current revolving loan fund and asked if BLEDA is asking for an additional \$250,000 for a separate revolving loan fund. Wegeleben discussed that the \$100,000 is already in the BLEDA fund so they are just going to allocate it towards marketing. The new funding will be strictly for funding acquisitions without having to come back to City Council, they can just buy it. Knier noted that if we can keep our net tax rate down, he is fine with funding the BLEDA's request. Wegeleben indicated that this won't hit our property taxpayers at all as it is already in an existing City fund that hasn't been used. Halverson discussed his concern that use of the funds wouldn't require Council approval. Wegeleben responded that the BLEDA was given the authority by the City Council when they created the Authority. Knier stated that he trusts the people that are on the BLEDA now, but in the past previous committee members spent dollars in a way that maybe wasn't the best. Wegeleben discussed when the BLEDA purchased the Industrial Park years back and then put a road through it. Knier noted that it is a concern that we could have people on the board who don't know what

they are doing. Halverson expressed that he is not questioning the ability of the BLEDA members, but more so that the Council would generally be responsible for spending taxpayer dollars, noting that we maybe should have some oversight of the funds. Halverson discussed that if we are going to give anyone a quarter of a million dollars in taxpayer money, Council should have oversight of the funds. Knier discussed that when BLEDA is considering purchasing a property the discussion can't be public and the Council could also hold a closed session. Klimmek discussed that the BLEDA just closed on property this past Monday. Halverson noted that the purchase was for \$10,000 and questioned if we are willing to give them authority to spend a quarter million dollars. Council Member Seefeld responded that it doesn't mean they will spend it all on one property. Council Member Noding discussed that it would be giving the BLEDA more to work with. Klimmek discussed that they have an unfunded strategic plan right now, explaining that they have a mission with no funding stream.

Council Member Hanson discussed that we have already delegated the BLEDA to spend these types of funds. Hanson noted that while he agrees with Halverson's concerns, he stated that if it's not broken, don't fix it right now. Wegeleben noted that in the event the BLEDA Board messes up, the Council would have the authority to no longer have a BLEDA. Knier asked if it would be a problem to require BLEDA to let the Council know when they are planning to purchase a property. Wegeleben clarified that we would be putting it in the BLEDA's budget as a potential transfer, but this is not something she has to have in the preliminary as it does not affect the levy so we just have to have it done by December. Wegeleben also explained that the policy can be reviewed. Knier suggested putting this on the next BLEDA agenda to see what they think. If they don't have a problem running it through the Council then we should consider that.

Wegeleben noted that the Hwy 25 allocation is only \$8,000 this year, where usually it is \$15,000. Knier asked why there is a decrease expected. Wegeleben responded that was what she was told it would cost us for 2023. Wegeleben also reviewed repairs, computers, squad car computers, and election machine replacement expenses, as well as fire, police, and public works department equipment needs. Norm Michels reviewed the need for public works vehicle purchases. Council Member Halverson asked if we can rehabilitate a used box. Michels discussed that the current F550 box is 20 years old and isn't useable. Wegeleben also discussed that we don't have an updated street improvement plan yet so are estimating that we will budget \$300,000 as a placeholder for mill and overlay needs. These are already funds that we have set aside so it won't increase the levy or use part of our LGA funds. Halverson asked if a grinder could be purchased with these funds if they aren't needed for mill and overlay needs. Michels responded that he has priced them out and this type of equipment will cost between \$120,000 to \$180,000 and Council could direct Staff to utilize these funds to purchase the equipment.

Wegeleben discussed the Parks Department needs, which funding generally comes from the general fund for playground equipment, miscellaneous equipment replacement and trail maintenance. The Park Development Plan is pretty significant but we don't have a lot of cash at this time. The Parks Board will need to decide what projects they want to do with the funds that are available. Wegeleben recommended that starting in 2027, we start designating part of our LGA to set aside towards the Parks Fund. Halverson asked if there are funds set aside to do one park next year. Wegeleben responded that there is \$600,000 in the Park Development Fund plus \$100,000 in the Parks CIP. Park Development funds

can be used towards improvement of parks, recreational facilities, playgrounds, trails, wetlands, or open spaces. Upgrading or enhancing existing parks or playground equipment would also meet that criteria, but you cannot use it for routine maintenance or partial replacements. Council Member Halverson stressed that the Park Development fund needs funding, otherwise when new developments come in, if we keep taking the money out of the Park Dedication fund then there won't be any funds for other parks. Wegeleben noted that she can't figure out where she will start with this future funding until 2027 and that is why she recommends we start putting \$100,000 into the fund every year. Halverson discussed that the problem with that is, we currently have a significant amount of City parks that are over 20 years old. Wegeleben clarified that we do currently put money aside for park maintenance, and Halverson responded that some of these older parks need full replacement. Michels reviewed that the parks are showing their age especially at Teal, Bluff, and Lakeside Park which is his major concern. Wegeleben reviewed that we are going to start transferring funds into the CIP fund from the General Fund. This Council can direct how those funds will be used and noted that we don't have any street reconstruction planned and we could put the funds towards parks and trails. Mayor Knier discussed that the idea of moving forward the streets projects to be done this year, was to not spend the money, but instead bank it so we can avoid having to borrow. Wegeleben discussed that if we don't have any mill and overlay needs, we could use the \$300,000 towards parks instead. Halverson stated that he would like to start taking part of that money and putting it into the Parks fund starting in 2023 due to immediate needs in this area. Knier responded that staff had only indicated that the parks are showing their age. Wegeleben again noted that the funds can be allocated however the City Council wishes to allocate them. Halverson discussed supply/demand issues with ordering and receiving park equipment, and again stressed that he would like to see us start putting \$100,000 into the CIP Parks fund, stating that he feels it is the City's responsibility to start the process so that staff can order the equipment. Knier asked further detail on what the replacement schedule is for these parks. Michels reviewed that the wear and tear on playground areas doesn't go away, noting they have seen substantially more activity at our parks this year than in previous years. Residents have been patronizing some of the smaller parks more this summer than in the past which changes the Park Plan needs. Michels indicated that he will work on updating the Park Plan in the next couple weeks, and Knier agreed that it is the City's responsibility to maintain its parks, but he would like to see an updated schedule. Wegeleben responded that a set plan will help us to plan for future funding. Michels reviewed conditions of park equipment that would necessitate repair or replacement and noted that Randy Bader recently received a Playground Certification so this will provide us with an accurate determination of the condition of our parks. Knier discussed that while he would love to provide everything for the City, we might have to make some tough choices due to citizens struggling with the cost of goods. Wegeleben responded that one of the things the City has been doing right is that a majority of our LGA dollars funds our CIP. If ever the State decides we don't get LGA, then we will have to make different plans.

Wegeleben also reviewed the water meter purchase which will be partially funded with ARPA money, with the remaining portion being funded through the sewer fund as it is estimated that the project will cost \$2.6M. This project will significantly benefit the City in that with the new equipment, it will help us to better identify if water theft is occurring at a property. People will have to pay for what they are actually using, and some of our meters are very old and haven't been working correctly.

Wegeleben reviewed Local Government Aid (LGA) allocations. LGA expected for budget year 2023 is \$792,000. Wegeleben also reviewed Special Revenue funds for the BLEDA, the Farmer's Market Program, and Music in the Park.

Discussion was also held on the Big Lake Fire Department Joint Powers Budget, which will be considered at the September 2022 Joint Powers Fire Board. The budget includes a 10.83% increase in operational expenditures, and a 17.70% Personnel increase. Wegeleben also noted that she is recommending we cancel the August 18 planned budget workshop and come back on August 25. The Preliminary Levy needs to be approved by September 15 so this will be coming to Council at the first meeting in September. In October we will discuss and true up anything Council wants to change before the Public Input Hearing, the Fee Schedule workshop will be in November, and the Final Budget/Levy will be coming to Council at the first meeting in December.

6. ADJOURN

Council Member Halverson motioned to adjourn at 4:56 p.m. Seconded by Council Member Noding, unanimous ayes, motion carried.

Gina Wolbeck
City Clerk

08/24/2022
Date Approved By Council