

The Cannon Falls City Council met in a work session on Tuesday, July 16, 2013, beginning at 7:13 p.m. in the City Council Chambers. Present were Mayor Robby Robinson and Council Members Bill Duncan, Jay Sjoblom, Rodney Holst, LeRoy McCusker, and Merlyce Johnson. Also present were Aaron Reeves, City Administrator; Lanell Endres, Assistant City Administrator; Jeffrey McCormick, Police Chief; Justin Padgett, Library Director; and Tom Bergeson, Public Works Director. Council Member Morris Mattson was absent.

Call to Order

Mayor Robinson opened the City Council Work Session at 7:13 p.m.

General Fund  
Reserve Review

Mayor Robinson explained that the purpose of the work session was to look at spending down some of the general fund reserve.

City Administrator Reeves began by stating that this was a pleasant change from past work sessions, which had been spent looking at ways to cut the budget and decrease expenses. Mr. Reeves explained that the City's general fund reserve was currently significantly higher than recommended, in part due to unbudgeted revenue.

Now that the LGA situation has stabilized, Mr. Reeves suggested bringing the general fund reserve back down to a reasonable level of 50%. He stated that in order to accomplish this, the City would need to allocate approximately \$800,000 toward future purchases. Some funds had already been allocated toward the new library project, the purchase of new vehicles for the police department, and cost overruns for the access road for the Olmsted Medical Clinic. This funding constituted approximately \$340,000, leaving a difference of approximately \$450,000 to allocate toward other projects.

The City's Financial Management Plan and Capital Improvement Plan had been reviewed and updated by department heads. The following funding recommendations were reviewed, totaling just under \$800,000.

- It was recommended that the City pay for its portion of the new library project in the amount of \$248,982 from general fund reserve as opposed to financing this debt over time. Once the last of the donations was received in 5 years, the project could be closed out. This would result in significant savings in debt service and interest payments, estimated at more than \$25,000.
- City Hall was in need of an HVAC system upgrade at an estimated cost of \$60,000, which would be offset by energy efficiency grants and other funding. This would result in long-term energy cost savings.
- The pool parking lot needed to be repaved. This had been

removed from the Capital Improvement Plan, with plans to add this to the debt service of another project. The estimated cost for this project was \$50,000.

- The Highway 19 crosswalk, approved by MnDOT, had an estimated cost of \$37,000, the majority of which was for the installation of solar-powered flashing lights.
- Radius testing had determined that an additional warning siren was needed for the new hospital area, at an estimated cost of \$25,000. Mr. Reeves stated that it made sense to complete this project sooner than later. Council Member Duncan added that siren coverage would also be needed in the expansion area as a result of the Highway 52 interchange.
- Cannon Falls would be required to participate in the purchase of a new bus for the Three Rivers busing service, which would be a cost share between the City and Three Rivers. The City's portion of this was estimated at \$16,200 for the year 2014.
- Capital Improvement planning for the police department had included the purchase of squad car computers and rifles over the next few years. The plan would be to purchase these at a combined cost estimate of \$23,000. Police Chief McCormick added that the new rifles would replace older military surplus weapons obtained from the City of Red Wing. These weapons would be more versatile and interchangeable with better capability.

Mr. Reeves stated that the above-listed items would provide the "most bang for our buck" in terms of cost savings, freeing up money for other projects, improving efficiencies, and addressing public safety issues.

Council Member Duncan stated support for this plan of action, as opposed to simply adding additional funding to individual departmental budgets.

Mr. Reeves clarified the general fund reserve was currently at approximately 66.5% and how the estimated \$800,000 excess was determined.

Council Member McCusker inquired about bringing the general fund reserve down to 45%. He also mentioned several business additions and expansions that would add to the tax base, along with additional Local Government Aid (LGA) revenue. He expressed concerns about rising utility rates and skepticism about the cost savings of an updated HVAC system.

Mayor Robinson expressed support of the 50% general fund reserve as an adequate cushion and to help cover anticipated rising expenses.

It was clarified that LGA revenue was allocated toward operating expenses and does not affect the general fund reserve. Mr. Reeves stated that transferring large amounts of money into utility funds to help lower rates could not be sustained over time. He stated that property taxes may need to be increased in order to pay for other projects. Tax revenue increases due to recent business expansion was an unknown at this point. It was suggested to review utility fund balances and proposed rate increases during the budgeting process for possible adjustments, as has been done in the past. It was also discussed that a healthy general reserve might be beneficial in promoting economic development opportunities that may arise.

Council Member McCusker inquired about other public works projects and how priorities were assigned. Mr. Reeves clarified that projects were prioritized according to urgency, cost savings, public safety considerations, and other factors.

Police Chief McCormick added that he was working with Dakota County on installation of a warning siren to cover the Lake Byllesby campground area and possibly some of the golf course.

Following discussion, the consensus was to proceed with the above-listed plan of action. Mr. Reeves stated that this proposal would be incorporated into the Financial Management Plan.

Adjournment

The Work Session adjourned at 8:13 p.m.

Adopted by the City Council of the City of Cannon Falls on the 6th day of August, 2013.

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Lyman M. Robinson, Mayor

ATTEST:

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Aaron S. Reeves, City Administrator