

The Cannon Falls City Council met in a workshop session on Tuesday, August 15, 2017, at 7:00 p.m. in the City Council Chambers. Present were Mayor Robby Robinson and Council Members Morris Mattson, Cedar Abadie, Mike Dalton, John Althoff, and LeRoy McCusker; Council Member Ken Carpenter was absent. Also present were Ron Johnson, City Administrator; Lanell Endres, Assistant City Administrator; Dave Maroney, Community Development Director; Tim Malchow, EMS Chief; Tom Bergeson, Public Works Director; Nicole Miller, Library Director; Greg Anderson, City Engineer; Todd Anderson, Fire Chief; Samantha Meyer, Zoning Assistant; Joe Berg, Police Lieutenant; and Jeffrey McCormick, Police Chief.

Call to Order

Mayor Robinson called the workshop to order at 7:00 p.m.

2018 Budget  
Discussion

Mayor Robinson referenced the budget planning process and materials.

City Administrator Johnson reported that the preliminary levy and budget need to be set by mid-September. He requested that direction be provided to staff prior to the September 19 Council meeting, so that a resolution can be drafted for review during this meeting. Administrator Johnson commented that the final budget and levy would be adopted in December. He noted that the final levy cannot exceed the preliminary levy but can be reduced.

Administrator Johnson discussed how tax capacity factors into the budgeting process. He commented that updated information would be provided by Goodhue County, hopefully in mid-September prior to adoption of the preliminary levy.

Administrator Johnson referenced a funding request received from the Shepherd's Center. He referenced an analysis by City Engineer Anderson with regard to potential street improvement projects.

Administrator Johnson commented that a 2.4% increase was used as a baseline. He reiterated that tax capacity information was not yet known. He commented that the draft budget assumes a 9% increase in health insurance premiums and a 3% cost of living wage adjustment. He discussed the proposed purchase of a fire truck, noting that this had been incorporated into the budget. He reviewed funding sources for the proposed fire truck. Administrator Johnson noted that approximately \$48,000 in financial assistance toward the Cannon Valley Trail capital improvement project had been incorporated into the draft budget.

Administrator Johnson reported that the addition of two part-time employees had been incorporated into the draft budget. He noted that, although not levy impacted, the Ambulance Service budget

included the hiring of another full-time paramedic during 2018.

Administrator Johnson discussed the bond levy. He commented that if a street improvement project was undertaken during 2018, it would likely not be levied until 2019.

Mayor Robinson requested a health insurance update. Administrator Johnson indicated that work continued in that regard.

The Cannon Valley Trail improvement project was discussed. Council Member Abadie discussed anticipated funding sources for this project. Mayor Robinson commented that the portions of the trail that would be improved were not located within the City limits. He suggested consideration of turning the trail over to the Minnesota Department of Natural Resources. Council Member McCusker expressed concerns with regard to parking near the trail. Council Members Dalton and Althoff commented regarding grant funding.

Council Member McCusker inquired regarding City trail expenses. Public Works Director Bergeson estimated these costs at less than \$10,000 over the past nine years. He commented that the trails should be widened to meet State standards and resurfaced in certain areas.

Mayor Robinson suggested further discussion of the topic of trail expenses and levy impacts. Administrator Johnson indicated that trail expenses have been incorporated into the draft budget. He commented that increased spending over revenue of \$23,000 to \$24,000 resulted in a 1% levy increase.

Council Member McCusker commented with regard to parking concerns near parks and trails.

Council Member Abadie clarified that Cannon Valley Trail projects have been prioritized, noting that three bridges were in such poor condition that they were considered dangerous. She discussed that, under the joint powers agreement, certain responsibilities have been allocated with respect to the trail among the different municipalities. Administrator Johnson provided additional information with regard to employee expenses.

Council Member Althoff commented that trail project bids may come in lower than the estimates.

Mayor Robinson inquired regarding a potential 2.4% levy increase.

Administrator Johnson commented that more information should be available by the time the preliminary levy was adopted. He suggested holding off on this decision until tax capacity data have been provided.

Mayor Robinson referenced the proposed 3% cost of living wage adjustment. He asked how the classification and compensation study results would impact the budget and levy. Administrator Johnson commented that the consultant will be meeting with the Personnel Committee in the near future to review the options. Mayor Robinson commented that this information was needed as soon as possible for budget and levy planning purposes.

Council Member McCusker asked whether cities could work together to try to lower health insurance costs. Administrator Johnson commented that the City of Cannon Falls is already in a large pool. Impacts of the Affordable Care Act and small employer rules were discussed. Administrator Johnson commented that rates were set by the State of Minnesota, adding that there was a limited number of insurance carriers.

Mayor Robinson inquired with regard to an increase in building inspection expenses. Administrator Johnson clarified that expenses in this regard were offset by revenue.

Council Member McCusker discussed a number of street issues and drainage concerns that need to be addressed. He suggested delaying large street improvement projects in order to first take care of these concerns. It was reiterated that any street improvement projects undertaken during 2018 would not be levied until 2019. Mayor Robinson commented that bond interest rates were expected to increase. The Public Works budget was discussed.

Administrator Johnson reviewed project estimates that were provided by City Engineer Anderson and levy information that was provided by George Eilertson from Northland Securities. Mayor Robinson inquired with regard to current debt service payments and when projects will begin dropping off. Assistant City Administrator Endres commented that this will happen in 2022. Debt service payments toward the Library were discussed.

Council Member Abadie noted that the remaining portion of the West Side II project was previously put on hold. Director Bergeson commented that both street and utility conditions were considered

when projects are prioritized. Council Member Mattson commented that combining projects may result in lower costs.

Council Member McCusker commented regarding increasing utility rates and suggested holding off on more spending. Council Member Dalton requested additional information, noting that the current Council was paying the price for decisions made by past Councils. Director Bergeson commented regarding “kicking the can down the road” related to equipment needs more so than roads. Mayor Robinson commented that budgets were tightened in the past in order to keep levy increases to a minimum.

Council Member Abadie requested clarification of the levy and property tax rates. Administrator Johnson provided additional information in this regard.

Mayor Robinson discussed budget considerations in terms of equipment, infrastructure, employee expenses, and projects, including the Cannon Valley Trail. He reiterated that, once the preliminary levy was set for 2018, it could not be increased. Council Members suggested allowing adequate room in the preliminary levy. It was discussed that the final budget and tax capacity will determine the final levy.

Council Member McCusker suggested consideration of a preliminary levy increase of no more than 5%. He inquired regarding the use of recent budget surpluses. Administrator Johnson discussed recommendations in terms of general fund reserves.

Chief McCormick discussed how department heads and employees worked to make budget cuts in past years. He suggested that the Council consider increasing the capital budget to cover future planned projects and unanticipated expenses.

Mayor Robinson commented regarding financial contributions to community organizations, such as the Shepherd’s Center and the Cannon Valley Fair. Assistant Administrator Endres provided additional information in this regard.

Mayor Robinson commented that the City has control over certain expenses but not others.

Council Member McCusker commented regarding unpaid utility charges.

Council Member McCusker suggested monitoring employee overtime costs. Chief McCormick and Mayor Robinson commented with regard to the Police Department budget and staffing.

Council Member McCusker commented regarding expenses relating to equipment maintenance.

Mayor Robinson commented that the Public Works Department budget had been slashed to the bone. Director Bergeson commented that the budget was cut by 30% in 2009 and has since not been restored to this level of funding.

Mayor Robinson suggested long-range planning in terms of vehicles and equipment. Council Member Abadie asked whether insurance costs have been factored into the budget, and Fire Chief Anderson provided additional information in this regard. Council Member Mattson asked whether Fire Department vehicles were purchased through a State contract, and Chief Anderson discussed the vehicle purchase process. Council Member Dalton suggested being proactive in this regard. Chief Anderson discussed the fire truck replacement process. Council Member McCusker discussed the option of purchasing newer used equipment.

Mayor Robinson inquired with regard to Ambulance Service equipment, and EMS Chief Malchow provided additional information in this regard.

Mayor Robinson requested that the Council provide direction to staff in terms of the preliminary levy. Council Members expressed agreement with a 6% preliminary levy. Council Member Abadie asked when tax capacity information would be available. Administrator Johnson indicated that an update would be provided during the next Council meeting.

Mayor Robinson discussed the purpose of setting a higher preliminary levy, with the intention of lowering it once all of the information became available. He noted that information was needed with regard to tax capacity, project impacts, wage adjustments, and health insurance costs. Administrator Johnson indicated that details would be worked out prior to adoption of the final budget in December.

Adjournment

The workshop adjourned at 8:15 p.m.

Adopted by the City Council of the City of Cannon Falls on the 5<sup>th</sup> day of September, 2017.

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Lyman M. Robinson, Mayor

ATTEST:

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Ronald S. Johnson, City Administrator