

The Cannon Falls City Council met in a work session on Tuesday, August 4, 2020, at 5:00 p.m. in the City Council Chambers. Present were Mayor John Althoff and Council Members Morris Mattson, Bill Duncan, Derek Lundell, Mary Jill Bringgold, Matt Montgomery, and Steve Gesme. Also present were Neil Jensen, City Administrator; Jeffrey McCormick, Police Chief; and Mike Althoff, Fire Chief

Purpose	It was noted that the purpose of the work session was to discuss the preliminary 2021 budget.
2021 Budget Discussion	<p>City Administrator Jensen discussed the water and sewer funds. He noted that the draft budget reflects transfers from the general fund into the water and sewer funds. Administrator Jensen discussed a budget increase of \$2,500 for laboratory testing. He commented that, if there are no changes in the water and sewer rates, there can be no significant changes in revenue or expenses. He referenced bond debt that will be paid off in 2021, which will free up funding toward a possible water tower project in 2022. He discussed the sewer fund and reviewed loan debt that will be paid off in 2023. He stated that the City will carry a negative cash balance in this fund for part of the year, adding that this will gradually resolve by year-end. He noted that in 2022 the City can begin to look at capital improvements plans, adding that the sewer fund will need to be watched carefully. He reviewed the reasons that Ehlers had previously recommended incremental sewer rate increases. He added that the actual revenues are exceeding the projected amounts.</p> <p>Administrator Jensen reviewed a budget line item pertaining to depreciation. He clarified that this is just a number and not an actual expense. He provided an explanation of how this number should be interpreted. He reiterated the need to use cash reserves to get through the bond debt cycle.</p> <p>Mayor Althoff asked if Administrator Jensen is comfortable with the status quo. Administrator Jensen stated that if the rates were increased by 1%, this would result in a revenue increase of approximately \$15,000, which is not much. He reiterated that Ehlers has indicated that the increase in use has created some additional revenue. He stated his opinion that the funds could use more revenue but will do okay if things are watched closely and expenses remain within budget.</p> <p>Council Member Gesme commented that it would be good to tell the citizens there will not be any increases in 2021. Administrator Jensen referenced discussion of maintaining the current levy, adding that water and sewer rates could follow suit. He stated that he is comfortable with maintaining the status quo, as long as the City</p>

remains vigilant. He stated that the fact that actual revenues have exceeded projections is good news.

Council Member Duncan commented that high water and sewer rates have been a common complaint, adding that if the City can get by with no rate increases over the next couple of years, then things will be better. He stated that the revenue generated by a 1% increase would not be worthwhile.

Administrator Jensen commented that, once a new Public Works Director is hired, the process of capital improvement planning and future reconstruction planning will begin. He referenced past discussion of water and sewer rates, adding that the revenue needs to cover the expenses and the last few increases were necessary.

Council Member Montgomery asked whether there has been any discussion of adding more homes or surrounding areas to the Cannon Falls water and sewer treatment systems, as the City has capacity. Past discussions with Randolph Township representatives were noted. Administrator Jensen noted that the cost of extending services beyond the City can be a limiting factor. He stated that some grant funding may be available, adding that this would need to be petitioned for by the involved property owners. Administrator Jensen reiterated that at the end of two years things should look much better.

Administrator Jensen expressed appreciation to department heads for doing a great job on budget planning activities. He discussed potential cuts to LGA and stated that the City will need to pay close attention to this. Administrator Jensen described the process of allocating LGA funding.

Administrator Jensen summarized the Fire Department Budget and referenced discussions with Fire Chief Mike Althoff. He noted that the Fire Department has experienced a \$3,000 increase in revenue. He reviewed a preliminary capital equipment budget for the Fire Department. Chief Althoff discussed the challenges of drafting a call-dependent budget. He referenced significant expenses, including equipment maintenance, gear, and wages. He described contract agreements with rural townships and discussed the firefighter relief fund. He reviewed the vehicle replacement schedule.

Council Member Duncan expressed appreciation to Chief Althoff for bringing expenses down.

Administrator Jensen next reviewed the Ambulance Department budget. He stated that EMS Chief Tim Malchow drafted this budget. He stated that this is an enterprise fund and is self-sufficient. He clarified that no tax money goes into this fund. He provided an explanation of this budget. Ambulance Department staffing was discussed.

Regarding building repair and services, Council Member Montgomery asked why a couple of years ago it was barely over \$1,000 and now it is up to \$8,000. Administrator Jensen commented that he felt \$1,000 was not enough to take care of this type of building.

Chief Althoff commented that there is a similar line item in his budget and provided an explanation that there are new requirements for ventilation systems in public safety buildings and part of the building is not up to Code. He noted that he and EMS Chief Malchow worked together on this part of the budget.

Administrator Jensen next reviewed the Library budget. He noted that Library Director Nicole Miller was unable to attend the work session. He noted that this budget has been approved by the Library Board. He provided an explanation of budget cuts related to staffing changes and personnel expenses. He noted the City is the fiscal manager of the tax levy dollars for this fund and that this department is administered by the Library Board.

Administrator Jensen next reviewed the EDA budget. He discussed reductions in the EDA budget related to staffing changes and personnel expenses. He discussed the contract with Community & Economic Business Specialist Laura Qualey. Mayor Althoff commented that he is happy with the job Ms. Qualey is doing, in addition to the fact that the City is saving money. Administrator Jensen expressed agreement with these comments. Administrator Jensen provided a summary of upcoming EDA projects, including the former Cannonball redevelopment project. Project funding sources were discussed.

Administrator Jensen next reviewed the Driver and Vehicle Services (DVS) budget. He noted that it has been a very busy, erratic year for them. He discussed staffing and provided details of this budget. He noted that this department provides a service and is partially funded by taxes.

Administrator Jensen suggested lobbying State representatives for an increased share of the fee revenue. He stated that, without increased funding, small DVS offices may have to close.

Council Member Lundell asked if there are other services the DVS office could provide. Administrator Jensen stated that the office is as busy as they can be for the amount of staff.

A discussion took place with regard to the services that the DVS office provides.

Council Member Montgomery asked what it would take for the DVS office to accept credit cards. Administrator Jensen suggested that the City accept credit card payments for all City services and stated that he will research this possibility. A discussion of the process took place.

Administrator Jensen summarized the draft 2021 budget and tax levy.

Council Member Duncan commented that the preliminary budget looks very good. Council Member Bringgold expressed agreement and appreciation to the department heads for their hard work on the budget.

Administrator Jensen commented that this was the easiest work he has done with department heads in a long time.

Mayor Althoff asked if there will be an additional budget work session scheduled. Administrator Jensen stated that a work session will be held prior to the first meeting in September to introduce the final preliminary budget, which will be adopted during the subsequent City Council meeting. He noted that, once the preliminary tax levy and budget are set, they can be decreased but not increased.

Adjournment

The work session adjourned at 6:00 p.m.

Adopted by the City Council of the City of Cannon Falls on the 1st day of September, 2020.

John O. Althoff, Mayor

ATTEST:

Neil L. Jensen, City Administrator