

**MINUTES
CITY OF LONSDALE
SPECIAL CITY COUNCIL MEETING
OCTOBER 21, 2010**

1. CALL TO ORDER

Mayor Rud called a special meeting of the Lonsdale City Council to order at 7:00 p.m. in the City Council Chamber, 415 Central St. W.

2. PLEDGE OF ALLEGIANCE

Everyone stood and recited the pledge of allegiance.

3. ROLL CALL

Present: Daleiden, Kodada, Rud, Furrer and Pelava

Absent: None

Staff Present: City Administrator Joel Erickson, City Planner Benjamin Baker, and Public Works Director Russ Vlasak

4. AGENDA

Mayor Rud asked if anyone had any additions or deletions to the agenda. A motion was made by Daleiden and seconded by Furrer to approve the agenda as presented.

Vote for: Daleiden, Kodada, Rud, Furrer and Pelava. Against: None Vote 5-0.

Motion carried.

5. APPROVAL OF MINUTES

None

6. PUBLIC HEARINGS

None

7. PRESENTATION OF CITIZEN PETITIONS AND COMMENTS

None

8. APPROVAL OF THE CONSENT AGENDA

None

9. OLD BUSINESS

None

10. NEW BUSINESS

a. Consider Approval of the City's 2011 Insurance Benefit Package

Erickson provided the City Council with a staff report including a comparison chart of four different group medical insurance providers and each company's proposed coverage rates for City of Lonsdale employees in 2011. He mentioned

that the Council has been meeting and discussing City budget issues since July 2010. He said that since that time, the Council discussed eliminating dental insurance, which would save approximately \$19,000.00, and they also discussed contributing a lesser amount into each employee's Health Savings Account (HSA) for 2011. He reminded the Council that they recently decided to "go to Market" for group medical insurance, due to Medica's renewal rate that came in 16.5% higher than the City's current Medica rate. Erickson explained that City staff members updated their on-line health insurance applications in order to obtain quotes/rates from Medica, Blue Cross/Blue Shield, Preferred One, and Health Partners.

Erickson said that the Health Insurance Task Force, including Council Member Furrer, City Treasurer Skluzacek, Police Chief Schmitz, and the City Administrator, reviewed and compared the different plans along with the City's health insurance agent, and they recommended that the City switch from Medica to Health Partners. Health Partners rated the City with a 0.95 modification factor, which was considerably lower than the rankings received from the other three companies. Erickson mentioned that a City staff meeting was held earlier in the day with the City's health insurance agent to discuss the recommendation from the Health Insurance Task Force and answer any questions that employees may have. Erickson explained the differences between the two proposed Health Partners plans (Empower HSA and Empower HSA Perform). The main difference between the plans is that Empower HSA has a larger network of doctors and hospitals/clinics which includes the Mayo Clinic and affiliated hospitals/clinics. Erickson said that about half of the employees stated that they would prefer going with the plan that includes the Mayo Clinic and its affiliates. Erickson said that the City's renewal date is November 1, 2010 for health and dental insurance, therefore the Council needs to make a final decision.

Rud provided a brief synopsis of the State's budget affect on Lonsdale along with the City's 2011 budget discussions. He said that the City needs to get health insurance costs under control, and he asked the Council Members for their thoughts on eliminating dental insurance and setting a specific percentage amount to cover the cost of the HSA's deductible.

Daleiden suggested that no funding be given to the HSA for 2011. Kodada recommended that the City fund half of the deductible. Pelava agreed with Kodada, stating that a transition amount, such as 50%-75%, be implemented over the next couple of years. The Council speculated on the possibility that the Mayo Clinic may take over Queen of Peace Hospital in New Prague and the Northfield Hospital/Clinics sometime in the near future. Furrer and Rud suggested going with the Mayo Clinic option if it keeps the majority of the employees satisfied. Daleiden said the City's health insurance coverage is far ahead of private sector coverage, and he warned that insurance coverage may be one of the first things the Council looks at cutting back in the future.

The Council discussed different HSA funding scenarios (at 0%, 50%, 75%, and 100%) compared to the City's current plan and the 2011 budgeted amount. Rud said that 75% funding would still be \$10,000 less than the budgeted amount and \$4,000 less than last year's contribution. The Council agreed that 75% funding for the HSA under the Health Partners – Mayo Plan would be the most fair and equitable decision for Lonsdale's employees considering a second year wage freeze.

A motion was made by Kodada and seconded by Pelava to switch from Medica to Health Partners Empower HSA \$1,250-100% True Family Deductible Plan (including the Mayo Clinic and affiliates) and fund the single (\$1,250) and family (\$2,500) deductible at 75% over 26 pay periods. Vote for: Kodada, Rud, Furrer and Pelava. Against: Daleiden Vote 4-1. Motion carried.

The Council all agreed that they should eliminate dental insurance from the City's benefit package.

A motion was made by Daleiden and seconded by Kodada to eliminate the City's dental insurance benefit (saving approximately \$19,000.00 in the 2011 budget). Vote for: Daleiden, Kodada, Rud, Furrer and Pelava. Against: None Vote 5-0. Motion carried.

b. Consider Approval of Staffing Levels for 2011

Erickson provided the City Council with a memorandum (dated October 20, 2010) and Resolution 2010-24 to review. Erickson relayed the anticipated amount of Local Government Aid (LGA) and Market Value Homestead Credit (MVHC) expected to be received from the State for 2011. Erickson reminded the Council that the City has already made enough cuts to eliminate a deficit for the 2010 budget year, but he mentioned that the City is looking at ways to balance its 2011 budget and possibly recoup any deficit from the 2010 budget year if unallotment is implemented in December of 2010.

Erickson provided the City with two options to consider when determining staffing levels for 2011 including 1) reducing the number of hours worked by all or particular positions, and 2) cutting an entire position from the payroll. He stated that the Council determined at their August 30th meeting that they did not want to eliminate any Public Works or Police Department positions.

In accordance with previous discussion and agreement by the City Council during the 2011 budget process to eliminate 40 hours per week of staffing at City Hall, City Administrator Erickson recommended to the City Council that the Office Manager (front desk Secretary) position at City Hall be eliminated effective immediately. Note: Office Manager Janet Jirik was present at the meeting. Erickson said that Friday, October 22, 2010 would be provided as a paid day off to the terminated employee along with a two week paid period starting on October 25, 2010. He explained that any unused vacation/sick hours would be paid out as

well. Erickson read from the applicable sections of the City's Personnel Policy, and he explained the details related to unemployment compensation for terminated employees. Erickson also explained that the terminated employee would have a right to a hearing, if so desired.

Rud stated that the City still needs to cut just under \$50,000.00 from the City's budget. He mentioned that the City shares planning services (City Planner) with the City of Elko New Market. He mentioned that the Public Works Department has been sharing equipment/labor with other cities such as Montgomery. He mentioned that City residents have requested 24-hour police coverage. He said that unfortunately the City Council has to make a difficult decision. He said that the City is proposing a 5% tax increase for 2011 for the first time in many years, and an even higher increase cannot be tolerated by the City's residents. Kodada said that the 32-hour work week idea is just a short-term fix, and he suggested running the City as efficiently as possible. Furrer, Daleiden, and Pelava all agreed that a position from City Hall should be eliminated.

Erickson read through Resolution 2010-24, a resolution eliminating the position of Office Manager from City Hall, as follows:

Whereas, over the last two years, the City has received less State Aid than certified; and

Whereas, to balance the City's 2009 and 2010 budgets, the City has made \$261,657.00 in expense reductions; and

Whereas, any further program cuts will have impact on the level of essential services provided by the City; and

Whereas, the finding of fact for the elimination of the position of Office Manager are as follows:

1. The City has received \$261,657.00 less in State Aid than certified by the State of Minnesota in 2009 and 2010.
2. The City has already eliminated \$261,657.00 in expenses in 2009 and 2010 to balance its budget.
3. The City Council anticipates receiving \$95,000.00 less in State Aid than certified for 2011.
4. The City must cut additional expenditures to balance the 2011 budget.
5. With a downturn in the economy, total building permits are down from a high of 374 in 2005 to 145 through October 20, 2010.
6. The staffing levels at City Hall are based on issuing 374 total permits.

Now, therefore, be it resolved by the City Council of the City of Lonsdale, Minnesota:

1. The position of Office Manager is eliminated from City Hall.
2. The position eliminated is effective immediately.
3. The current employee holding the position of Office Manager, Janet Jirik is terminated effective immediately.
4. Jirik will receive Friday, October 22, 2010 as a paid day off.
5. Jirik will receive the required two week notice of position elimination according to the City's Personnel Policy as two weeks paid time off beginning Monday, October 25, 2010.
6. Jirik will be compensated according to the Personnel Policy for accrued and unused paid time off.

A motion was made by Kodada and seconded by Furrer to approve Resolution 2010-24, a resolution eliminating the position of Office Manager from City Hall. Vote for: Daleiden, Kodada, Rud, Furrer and Pelava. Against: None Vote 5-0. Motion carried.

11. OTHER BUSINESS

None

12. ADJOURNMENT

A motion was made by Furrer and seconded by Pelava to adjourn the meeting. Vote for: Daleiden, Kodada, Rud, Furrer and Pelava. Against: None Vote 5-0. Motion carried. The meeting ended at 8:59 pm.

Respectfully Submitted:

Joel A. Erickson, City Administrator