

**MINUTES
CITY OF LONSDALE
SPECIAL CITY COUNCIL MEETING
AUGUST 23, 2018**

1. CALL TO ORDER

Mayor Rud called a special meeting of the Lonsdale City Council to order at 6:00 p.m. in the City Council Chambers, 415 Central Street West.

2. PLEDGE OF ALLEGIANCE

Everyone stood and recited the pledge of allegiance.

3. ROLL CALL

Members Present: Steve Cherney, Kevin Kodada, Tim Rud, Cindy Furrer and Scott Pelava

Members Absent: None

City Staff Present: City Administrator Joel Erickson, Public Works Director Russ Vlasak and Liquor Store Manager Lynette Moe

4. APPROVAL OF AGENDA

Mayor Rud asked if there were any addition, deletions or corrections to the agenda.

A motion was made by Pelava and seconded by Cherney to approve the agenda as presented. Vote for: Cherney, Kodada, Rud, Furrer and Pelava. Vote against: None. Abstained: 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. Discuss the City's 2019 Budget – Joel Erickson

Tax Levy/Impact:

Erickson reviewed the proposed preliminary property tax levy and how it affects taxes on several home and businesses in Lonsdale. He said based on the preliminary tax levy, a tax increase is expected for residential properties but a decrease for commercial/industrial properties. He said the preliminary tax levy was set based on discussion at previous budget meetings. Cherney asked how the City's tax rate compares to surrounding communities. Erickson said with a substantial reduction in the tax rate for 2018, Lonsdale is very comparable with the surrounding communities. Cherney asked if the City proactively communicates that with potential businesses. Erickson said he does provide potential businesses with the City's tax rate but does not provide them with a comparison of Lonsdale to the surrounding communities.

Administration:

Erickson said Administration was discussed at the last budget meeting and the \$350,000 for the Police/City Hall project was put back into the budget for 2019. Erickson said the full amount is not needed due to a projected fund balance for 2018 because to date, only \$40,500 of the \$350,000 has been and is expected to be spent until it is determined how that project will proceed. Cherney recommended keeping the \$350,000 in the budget to show the City's commitment to the project. Cherney asked how staff is held accountable when it comes to expenses, specifically if staff transfers funds or spends in excess of a department's budgeted amount. Erickson said any transfer from one fund to another has to be approved by the City Council and he provided several recent examples of this. He explained staff does on occasion, reallocate funds between line items in a department's budget and if a department's budget is exceeded, which is very uncommon, reserves would be used. He provided a recent example of manhole sealing where the quote exceeded the amount budgeted and it was brought to the City Council for approval because it was over the budgeted amount.

Park & Recreation:

Erickson said the Park Board attended the July 9th budget meeting and discussed capital outlay projects they would like to see budgeted for and completed. He said since then, staff has been working on the other line items. Erickson said the main revenues are property taxes, LGA and cell tower rent. Cherney asked if staff gave further consideration to charging a fee for use of the compost site and staffing it certain hours. Erickson replied no but that Lonsdale receives approximately \$3,400 annually from Rice County to off-set operating costs of the compost site. He said a current issue at the compost site is the use of it by contractors. Vlasak said current signage does not allow contractor to use the site. There was general discussion on contractors that do work for residents in Lonsdale or that have their businesses in Lonsdale and pay taxes, imposing a fee for contractors to use the facility, staffing the site, hours of operation and security to catch/prevent unauthorized items from being dump at the facility. Erickson reviewed proposed expenditures for the Parks Department including woodchip replacement at playgrounds, rentals, bike trail repairs, capital outlay equipment (Kromer), capital outlay

structure and the summer recreation program. Furrer asked if staff intends to apply for grants/funding through the Melissa Ann Friedges Memorial for park improvements. Erickson said staff applied for funding for the improvements at Trcka Park and does plan to apply for funding in the future.

Water:

Erickson said the main revenues consist of WAC fees and water sales. He said half the revenue of water meter sales for new construction is also included. He said for WAC and water meters, the amount is based on 45 new homes being constructed. Cherney said it is difficult to compare the staff report with the line item budget and requested staff to make it clearer. He also said he wanted further information on the total revenues/expenses/fund balances for prior years so it could be determined why there was a surplus or deficit. Erickson stated the reason for the deficit in 2017 was due to depreciation in the enterprise funds being accounted for and street project finalization expenses when project revenues were received in the prior year. Erickson also said the City Council is provided the Treasurer's Report on a monthly basis that shows the monthly activity in each fund and the beginning/ending balances. He said in addition to the month Treasurer's Report, the City Council is also provided a "Budget to Actual", which compares the budgeted amounts to actual amounts for each fund. The City Council requested further information explaining the surpluses/deficits for the next meeting.

Erickson said wages still need to be finalized and reviewed training, Work Comp, chemicals, repairs/maintenance, professional services, depreciation, dues/subscriptions, licenses/permits, capital outlay, transfers and anticipated deficit due to depreciation and the debt service for Well No. 5. The City Council discussed rates and what increase was necessary to not have a deficit. Erickson said although accounted for in accounting, depreciation is not paid out. He said water sales should cover operating costs and the WAC fee should cover the debt service on the treatment plant.

Sewer:

Erickson said like the Water Fund, the main revenue sources in the Sewer Fund are SAC fees and sales. He said also included in revenues are half the water meter sales for new homes and miscellaneous revenue consisting of credit card processing and Utility Inspection fees. Erickson reviewed the following expenses: wages, Work Comp., repairs/maintenance, professional services, engineering, electrical, depreciation, licenses/permits, capital outlay, bond payments, transfers. Erickson said when accounting for deprecation, the Sewer Fund is expected to run a deficit. Erickson said staff is working on options for capital outlay equipment because Public Works is recommending purchasing a new jetter/vac truck. Erickson said staff has been told to not pursue a new truck but rather a quality used piece of equipment. Mayor Rud asked how much it is used. Vlasak said it has not been used yet this year due to staffing. He said typically, a quarter of the City's sewer is cleaned. Vlasak said he needs to know the City Council's thoughts and if there is interest, to set a dollar amount so if staff does find one, they can pursue it and if not, he would stop researching the item. Mayor Rud recommended staff determine what the cost would be to contract the work out instead of purchasing a piece of equipment.

Liquor Store:

Erickson said the main revenues are sales of beer, liquor and wine. He said the sales are based on historical gross margin percentages for each and based on the respective expense. Erickson said enclosed in the packet is the spreadsheet used by staff and the liquor committee to make financial decisions. The City Council reviewed the following expenses: wages, office supplies, credit card processing, cost of goods sold, sales tax, professional services, electricity, depreciation, dues/subscriptions, donations, RRMPOA, the "Due To" and Sunday sales.

Erickson said he had met with the property owner of the vacant land in the RRMPOA and he is preparing to transfer the north half of the property to a church. He said with that fast approaching, the City will need to make decisions on platting, whether or not to assume ownership of Ash St. NE in the development and additional access. The City Council discussed the fact that a church is not a permitted use per the PUD Agreement or Comprehensive Plan but that state statute, per the City Attorney will require the City to allow it.

Cherney said with the "Due To" being paid off at the end of this year, he would like to see those funds stay in the Liquor Fund for the next several years in case unexpected maintenance items come up and need to be funded. Erickson said staff's past recommendation has been to keep a minimum fund balance of \$100,000. He said the current fund balance is approximately \$110,000 and at the beginning of 2018 it was \$72,777.

Street Department:

Erickson said the main revenue sources for the Street Department are the property tax levy and LGA. He said the City also receives revenue from businesses, Rice County and MNDoT for snow removal. The following expenses were reviewed: wages, fuel, street maintenance, sign repair, engineering, rentals, street lighting, capital outlay and snow removal. Erickson said staff is recommending a new sweeper be purchased but that a quality used one should be the priority. Mayor Rud recommended staff look at all options including new, quality used and certified rebuilt. Vlasak said he did find several used sweepers and the cost is \$150,000. Furrer asked if the same style would be purchased. Vlasak said no, a vacuum design is desired.

11. ADJOURNMENT

A motion was made by Kodada and seconded by Cherney to adjourn the meeting. Vote for: Cherney, Kodada, Rud, Furrer and Pelava. Vote against: None. Abstained: None. Vote: 5-0. Motion carried. The meeting ended at 8:08 pm.

Respectfully Submitted:

Joel A. Erickson, City Administrator