



**RIVER FALLS CITY COUNCIL WORKSHOP REGARDING
THE 2021 BUDGET
October 13, 2020, 5 p.m.
Virtual Meeting**

The City Council Members Present: Mayor Dan Toland, Todd Bjerstedt, Sean Downing, Christopher Gagne, Scott Morrisette, Diane Odeen, Ben Plunkett (5:05 p.m.), Hal Watson (6:08 p.m.)

City Staff Present: City Administrator Scot Simpson; Assistant City Administrator Jason Stroud; Finance Director Sarah Karlsson; others

Mayor Toland called the workshop to order. City Administrator Scot Simpson provided a presentation for the Council. Simpson talked about the updated fiscal impact of Covid on the budget. Initial estimates showed a potential reduction in general fund revenues in the range of \$300,000-\$700,000. As of September 30, 2020, updated estimates show a revenue reduction of \$331,000. Building permits came in higher at more than \$100,000 budgeted year-to-date. The City also received CARES Funds (federal funding of \$257,000) which are covering Covid expenses.

Simpson said we do not expect to use fund balance. There were general fund expense reductions which included a hiring freeze, reduced road maintenance costs, and the halting of some capital projects. There was also restricted spending on items such as advertising/printing, professional services, travel, and supplies. This resulted in a decrease of \$580,000.

Simpson said the utility funds experienced a drop in revenue due to large customer periodic closures. He expressed a slight concern over the electric fund experiencing an operating loss. Simpson talked about intentionally delaying the PSC approved customer rate increase by a couple of months.

Simpson talked about the budget being an important part of the City but not the only guiding plan. He spoke about other plans in the City. Simpson talked about assuming that there will be a recession in 2021. The magnitude is uncertain but likely more severe than 2020 as aide payments dwindle. We may not have a federal aid package. Finance Director Sarah Karlsson noted that one of the ways we are addressing this is by increasing the contingency fund by \$50,000 recognizing the uncertainty that 2021 may bring.

Aldersperson Morrisette asked how we are calculating the contingency fund. Karlsson looked for the exact wording. Simpson said shared revenue and state funding are at projected historic levels. Tax increment districts are important and are paying back with interest. The street light utility has been approved but is pushed out to 2023 for implementation.

Morrisette asked about suspending the approval of the street light fee or if it would be left in place. His preference is to remove the approval. Simpson said there is some benefit for staff to think it through. He would need to review it to see where we are in the statutory time frame for fee and utility creation. Simpson could not give an answer regarding rescinding approval of the fee. Morrisette did not mind it being considered in the future but felt it was up to a future Council to decide.

Karlsson answered the previous question saying the policy states that we have a contingency of a minimum of .5 percent of general fund expenditures which is about a \$60,000 contingency fund for this budget. She is proposing having a \$150,000 contingency fund. Simpson provided further clarification.

Simpson talked about wanting to continue having good benefits and competitive pay. We want to honor the pay plan and have competitive salaries that recruit the right people. He expects the hiring freeze to continue in 2021 with certain exceptions. Simpson talked about spending restrictions.

Simpson talked about budget themes - future financial sustainability, long-term strategic growth, and continued investment in infrastructure. We want to keep investing in our staff because we can't do what we need to do without them, and we want to minimize the service impacts to the public. We are always trying to remember the residents and employees.

Simpson talked about the proposed a net levy of 0 percent. The tax levy is equal to net new construction in Pierce and St. Croix counties which is 1.98 percent. Having the tax levy increase equal to the 2021 net new construction allows property taxes to remain flat for the average taxpayer. Simpson said the average tax bill in 2020 was \$1,426 and will be \$1,403 in 2021 on a \$200,000 home (this is city portion only). Morrissette asked about what the school district and CVTC were doing this year. Simpson was unsure but thought we should have that information by the time of the first reading.

Simpson talked about the fiscal plan which has a target levy of 3-4 percent annually. The proposed budget has a gross tax levy of 1.98 percent and a net tax levy of zero. Due to the uncertainty surrounding Covid, a one-year capital improvement plan was prepared. A multi-year plan will be prepared in 2021.

Simpson talked about the enterprise funds. The electric fund has a new rate structure as of September 28, 2020. Possible closure of large customers would impact 2021 results. For wastewater, larger capital spending is planned for 2021-2022. The North Interceptor project been pushed out. For water, maintenance only is scheduled in 2021-2022. For stormwater, Golf View channel improvement is planned in 2021. For EMS, those services will be outsourced to Allina Health. Fund balance is not expected to be used in 2021-2022.

Aldersperson Morrissette asked how much EMS will be short this year. Finance Director Karlsson said about \$300,000. Simpson asked Karlsson if she had anything she wanted to add. Karlsson said in terms of 2020 actual results and moving forward she gave Council credit for not making drastic decisions but being thoughtful as we curbed expenditures. She said we are on the lower end of the range for revenue impacts. Kudos to Council in helping staff in a thoughtful but not drastic way - which is proving to be a good decision. The reduction in street maintenance this year has helped. She thinks this is a fiscally conservative budget which is a reasonable tax levy that doesn't sacrifice services.

Simpson asked for feedback from the Council. The Mayor asked for comments.

Aldersperson Gagne felt everything was in line with previous discussions. He talked about services and employees not being impacted. He is on board with net zero increase. He talked about looking at filling empty positions next year so the staff can continue to provide service to the community.

Aldersperson Morrissette asked about planned retirements and a hiring freeze. Simpson said it is a true hiring freeze. If someone retires, we would exam the position. With the exception of the Community Development position, we would be careful about hiring back positions. Simpson provided further explanation.

Morrissette asked about timing with the fiscal and work plans. Simpson said with the fiscal plan, he wants to see where the Council comes down on the CIP first. He feels the fiscal plan is a 2022 revision. He talked about the duration of accomplishments which will take longer because there are not as many 'hands on deck'. He anticipated presenting the Administrator's Work Plan to the Council in a year. Simpson provided further details and talked about limiting service impacts.

Aldersperson Plunkett asked about the street light utility fee. He asked how much that would bring in and about how many years city has done a net new levy of zero.

Simpson thought the street light utility fee would bring in \$200,000 in gross dollars. He believed Council adopted it because was more of an equitable way to collect - it is more associated with the users rather than placing the burden on the property owners. Simpson talked about in the future, there will be pressure to collect more in revenue. Even knowing that, he feels the levy is a reasonable proposal. He thinks the City will be okay going into the 2021-2022 budget with the modest increases. He talked further about keeping up with expenses.

Alderson Downing asked about the timeline for the North Interceptor sewer project. Simpson said it's a combination of capacity and the amount of money we have invested in design. He talked about being careful in delaying a project where we have to spend money again on design. He expects to bid and go out to construction on phased approach with half of the project getting done in 2021 and the second half being done in 2025 or 2026.

Downing asked about a grant for part of the project. Simpson said the grant would probably be returned because it is inadequate to match what is needed. A pond improvement will be done in connection with the project. He thinks the grant will be available in the future.

Gagne asked about how Powell Falls is affecting budget. Simpson thinks a large percent of the removal will be paid for by donations and grants. We have not had a lot of expenses yet. Karlsson said \$1.6 million was budgeted in the CIP. The split is showing half paid by the utility and half paid by donations. Gagne had further questions. There was discussion about the timeline, study costs, dam repair, and more.

The Mayor said further questions can be directed to Simpson or Karlsson. The workshop ended at 6:18 p.m.

Respectfully submitted,

Kristi McKahan, Deputy Clerk