

**APPROVED MINUTES
OF THE CITY
COUNCIL SPECIAL MEETING
CITY OF EAST GRAND FORKS
TUESDAY, DECEMBER 23, 2014 – 5:00 PM**

CALL TO ORDER:

The Special Meeting of the East Grand Forks City Council for December 23, 2014 was called to order by Council President Buckalew at 5:01 P.M.

CALL OF ROLL:

On a Call of Roll the following members of the East Grand Forks City Council were present: Mayor Lynn Stauss, Council President Craig Buckalew, Council Vice President Greg Leigh, Council Members Clarence Vetter, Dale Helms, Henry Tweten, Mark Olstad, and Chad Grassel.

Dave Aker, Parks & Recreation Superintendent; Karla Anderson, Finance Director; Dan Boyce, Water & Light Manager; Nancy Ellis, City Planner; Ron Galstad, City Attorney; Mike Hedlund, Police Chief; Charlotte Helgeson, Library Director; Gary Larson, Fire Chief; David Murphy, City Administrator/Clerk-Treasurer; Megan Nelson, Executive Assistant; and Jason Stordahl, Public Works Director.

DETERMINATION OF A QUORUM:

The Council President Determined a Quorum was present

1. Discussion of Revision to 2015 Budget - David Murphy

Mr. Murphy stated that changes needed to be made to the budget to reflect the 5% levy increase. He stated that staff had put together a budget for 2015 and they will need priorities from the Council on where things should be cut back. He added this is policy setting so it is out of the scope of staff's duties and would have to come from the council. Council President Buckalew asked Mayor Stauss if he had any comments. Mayor Stauss stated staff should look very closely at the budgets and take out the wants. He said they commented how there didn't need be a Civic Center Sign, salt and sand shed, not to fix the approach at Public Works, not to fix the carpeting at the library, and to cut back on the police overtime which could be brought down substantial from \$200,000. Ms. Anderson stated many of these items are in the building maintenance fund, not the general levy so they will have to cut from somewhere else. Mayor Stauss suggested cutting the blade. Ms. Anderson stated that was being paid for out of the central equipment fund, not the general fund and added the only equipment in the general fund is a lawnmower for the cemetery since the other one blew up. She explained the central equipment fund is a self-sustaining fund paid back pay the departments and the building projects were taken care of by the funds given by the Water and Light Department each year.

Council member Tweten commented how cutting some of items from the different departments will affect the way they are able to operate. He added that how this will just pushing things down the road like the painting that needs to be done. He said how there \$110,000 will be funding the EDA, expansion is needed in the Industrial Park, and Water and Light will not be funding different projects. Discussion followed about how the City had received funds from the Water and Light Department in the past and why the City is charged the way they are by the Water and Light Department. Mayor Stauss commented there is also a franchise fee that it is too high, but raising it a quarter or half a cent on the franchise fee it would help. Mr. Boyce gave a brief history of the franchise fee and how currently it brings in approximately 1.2 million dollars a year. Discussion followed about other utilities that have franchise fees and how the City needs to be aware of how its actions affect taxpayers.

Mayor Stauss commented how the Council needs to be aware about sewer rates going up, if the school will be doing a referendum, and other rates going up that are affecting the tax payer. He stated how they should keep taxes down in they can. Discussion followed about how originally the Council only needed to find .5% to balance the budget before the levy was voted at 5%, how personnel costs went up 7.4%, and with personnel costs going so high they might need to look at cutting that back employees.

Council member Grassel asked about the Community Growth fund which was at \$125,000. Ms. Anderson stated that was a special revenue fund that could not be transferred since it was dedicated for development or services for downtown. Council member Grassel asked if they could transfer half of that to help with the budget. Ms. Anderson stated that she would check on that. Council member Olstad asked where the money comes from in the Community Growth Fund. Mr. Murphy stated what was shown in the budget is what was spent. Discussion followed about what these funds could be used for and how the City is not receiving the funds from the State Recreation Area like they have in the past. Ms. Anderson stated that they are currently only paying us for what we have spent so expenses were the only thing that was been budgeted.

Mayor Stauss asked the department heads to take another look to see what needs to be taken out. Mr. Murphy commented how they might have to start looking at cutting staff and where the Council would be okay with reducing staff. Discussion followed about how it couldn't be a cut across the board and unemployment costs would also have to be included. Council member Helms asked why the City was funding the EDA Department. More discussion followed about how the City had funded this department in the past, how there are funds being held in cds that could be used to fund at least one year of the EDA department, and that it would all depend on when the closing will happen with the sale of the Riverwalk Center. Mr. Murphy explained it is common practice for cities to fund their EDA.

Mayor Stauss stated he didn't want to but if needed they could go to the Water and Light Department and ask for help since they have a very healthy savings. He said that could help out if they say they aren't able to cut anything. Mayor Stauss added he didn't realize the reserves were being spent and asked if that was told to the Council. Ms. Anderson stated that was how they budgeted last year. Council member Grassel said it was especially stated two years ago when the levy was put at -1%. Mr. Murphy commented how he admires how well the Water and Light budgets and manages funds using best practices. He added this is what they are trying to

do with the City over the long term. Discussion followed about how high the reserves should be, if they are too high the State might cut funding, and what is considered to be adequate. Mr. Boyce commented how things have been done in the past to help the City. Council President Buckalew stated that it is still the same taxpayer. Ms. Anderson added that the property tax could be written off for taxes, fees can't. More discussion followed on the reserve policy adopted by the Water and Light Commission, how they self insure, and what the responsible thing for the Council to do.

Council member Grassel stated they are looking at cutting positions, someone gets sick, and they will be paying for more overtime. He gave examples of how things will be affected with different cuts from the different departments. Mayor Stauss commented how they need to try and do more than less. Council member Grassel stated how the police department needed to be fixed, how a \$10,000 fix could cost a lot more if there aren't funds available for those necessary fixes, and the list is getting longer with rinks that will need attention in the near future. Discussion followed about how there was 5% increases this year, how there have been minimal increases since 2011, and costs have only increase since 2011, funds can't be taken from the fund balance any more, and changes need to be made to keep the level of services.

Mayor Stauss stated the only way to bring in more tax is to have more houses built and asked what will be attracting people to East Grand Forks. Council member Helms asked about the locker room and if the school was going to help pay for the locker room. Ms. Anderson stated the school hasn't signed a new lease and the discussion is still taking place about how the school will help pay for locker room. Council member Helms asked about the City Attorney budget. Ms. Anderson stated that isn't just the City Attorney but all attorney fees and for prosecutions. Council member Helms asked if they always had this information in front of them. Council member Grassel stated received it when each department head reviewed their budget. Discussion followed about how the preliminary budget was chosen to be high for a reason, how the community development funds had been from after the flood, and that the general fund budget needs to be submitted to the State but the Special Revenue budgets do not.

Council member Helms asked if the funds from the Riverwalk Center can be used to balance the budget. Ms. Anderson stated since the funds are not available yet they cannot be used and the budget needs to be balanced before the start of the year. Council member Vetter commented how he doesn't understand why they should be cutting taxes only to raise Water and Light fees that the City would collect. Mayor Stauss said to keep the taxes down for the citizens and if it is an emergency the City could work with Water and Light on this. Discussion followed about how the City already collects the franchise fee, \$250,000 every year for building maintenance, and to ask for \$186,000 would just be a band-aid which won't solve anything.

Council member Olstad asked Ms. Anderson to give an overview from where things started from to where they ended in this process. Ms. Anderson stated at a 10% levy the budget was only negative \$39,000 and with the 5% levy the budget is now negative \$186,000. Council member Olstad asked what had been taken out since the first budget was proposed. Discussion followed about how the first budget was over by \$700,000 and with staff taking out almost all equipment and not increasing supply budgets they were able to bring it to within \$39,000 of being balanced. Council member Olstad stated that looking at 2011-2014 the overall increase including the 5%

increase was 1.92%. He explained how the budget is not keeping up with the rate of inflation and how he doesn't want to cut people. Discussion followed about what discussions had taken place regarding the levy for both 5% and 10%, what had been done in the past, and suggestions were made to either ask Water and Light for the money or to cut the girls locker room project. Council member Helms stated that the locker room needs to get done considering it has been in the works for the last 10 to 12 years. More discussion followed about what could happen if the locker room project did not move forward. Council member Vetter asked if the project was included in the general fund. Ms. Anderson stated it wasn't.

Mr. Larry Stauss commented how the Council is batting their heads against each other and how they will need to make some bold decisions to fix the City. He asked about possible problem areas in town and if they were cleaned up it is possible to cut two police officer positions. He stated the recreation program needs to be developed which might help. He commented how the arenas should be marketed or lots on the north end need to be sold or given away to start generating more tax revenue. Mr. Stauss made more comments on how high taxes are compared to Grand Forks. Ms. Anderson stated that in East Grand Forks taxes for commercial properties had decreased. Council President thanked Mr. Stauss for his comments, told him they would work hard to get where they needed to be, and asked him to have a seat.

Ms. Anderson stated again that with the rise in personnel costs of 7.4% the Council will have to look at cutting personnel or consider approving a higher levy. Mr. Murphy said there is no tomorrow so they need to figure something out tonight. Mayor Stauss stated that he would be in favor of asking Water and Light for help. Council member Tweten stated the City is relying on them too much and the City needs to start managing themselves better.

Council member Vetter stated he would try something. He suggested to cut one police officer, one firefighter, one from public works, one from parks, close the warming house for the winter, only one person at the arenas at all times, no more flowers, library will cut one position, and share secretaries in City Hall so one can be cut. Mayor Stauss commented that Council member Vetter is trying to make it look as bad as it could be and his suggestion was to ask Water and Light for help. Council member Grassel asked if they would even consider approving it. Ms. Anderson pointed out the Commission wouldn't be meeting until January and the budget needed to be in by the end of the month. Discussion followed about how the City shouldn't need to depend on the Water and Light so much. Council President Buckalew stated there is a document about a minimal staffing level which has resulted in the amount of overtime and the guideline they follow. Council member Vetter asked who that was set by. Chief Hedlund stated it was set by the Police Department. Council member Vetter set they will have to start somewhere. Chief Larson reminded the Council the fire department had been operating under a safer grant and if a firefighter is let go they City would then have to pay back the grant. Council member Vetter stated every department will have a reason not to cut anyone. He said they will have to figure out how to make it work. Discussion followed about when part time people are let go, how a parking district should be set up in the downtown area eventually and how staff has looked at consolidating positions and other ways to be more efficient.

Mayor Stauss commented how there should be more funds coming from the State Recreation area and funds should be coming in from the sale of the mall. Discussion followed about how

things have changed with the agreement between the City and the DNR in regards to the State Recreation, how we have to send and submit invoices to be reimbursed, and how nothing will be certain until a new contract is worked out.

A MOTION WAS MADE BY COUNCIL MEMBER VETTER TO CUT SIX FULL TIME EQUIVLENTS OUT OF THE BUDGET.

THE MOTION DIED FOR LACK OF SECOND.

A MOTION WAS MADE BY COUNCIL MEMBER GRASSEL, SECONDED BY COUNCIL MEMBER HELMS TO ASK THE WATER AND LIGHT DEPARTMENT FOR \$186,000 TO BALANCE THE BUDGET FOR 2015.

Council member Helms asked what could be transferred from the Community Growth Fund. Ms. Anderson stated no. Council member Helms asked if the funds from the Riverwalk sale be used to pay back the Water and Light Department. Discussion followed about where the funds from the Riverwalk sale will be used and how the Recreation Area is currently only reimbursing the City, not sharing revenues. Chief Hedlund supports this motion because he doesn't see a better option and pointed out how a problem has been created which. He added the department heads already cut out everything they could and how this is a band-aid. Council member Grassel stated that they will be in the same place next year. Discussion followed about what the City would be asking Water and Light for and how the Commission would have to hold a special meeting this year for the budget to be balanced.

Voting Aye: Helms and Grassel.

Voting Nay: Vetter, Buckalew, Tweten, and Olstad.

Mr. Boyce informed the Council they were able to change the franchise fee once a year once, it was set in 1995, and it had never been changed. Council member Vetter asked what other franchise fees were. Mr. Boyce stated they were much lower than the Water and Light franchise fee. He added this is something they could use and if they raised it by 1 mill it would raise about \$160,000. Council President Buckalew stated they would be taking a break beginning at 6:40pm.

The meeting resumed again at 6:46pm. Council President Buckalew asked Ms. Ellis about the grants she was helping with. She reviewed two projects that would need a local match. Ms. Anderson stated \$119,000 had been set aside for local matches.

A MOTION WAS MADE BY COUNCIL MEMBER VETTER TO CUT FIVE FULL TIME EQUIVLENTS OUT OF THE BUDGET.

THE MOTION DIED FOR LACK OF SECOND.

Mayor Stauss asked for a motion to get the money from Water and Light and pay it back with funds from the State Recreation Area and sale of the Riverwalk Center.

A MOTION WAS MADE BY COUNCIL MEMBER VETTER TO CUT FOUR FULL TIME EQUIVLENTS OUT OF THE BUDGET.

THE MOTION DIED FOR LACK OF SECOND.

Mr. Murphy stated that both he and Mr. Galstad reviewed the charter and nothing could be reconsidered unless there is the same amount of members as when the vote was taken. He said that if there is a onetime \$186,000 transfer it still doesn't solve the problem. He suggested if they were going to do something he suggested changing the mills of the franchise fee because at least that would be a continued revenue stream. Council President Buckalew stated that it was the same taxpayer. Ms. Anderson suggested raising fees for other items so they run more like a business and would be covering costs for events such as parades.

A MOTION WAS MADE BY COUNCIL MEMBER VETTER TO CUT THREE FULL TIME EQUIVLENTS OUT OF THE BUDGET.

THE MOTION DIED FOR LACK OF SECOND.

Council member Grassel asked to have a discussion about where those jobs would be cut from. Discussion followed about if two full time equivalents they would have to be department heads so try and reach the \$186,000 that is needed to balance the budget. Council member Tweten asked to call Mr. Leigh and see if he could come to the meeting. More discussion followed about how they will need to look at cutting personnel, how each department will have to be looked into, and how it is department heads who determine the need for employees in each department. Ms. Anderson asked if staff could start changing for events to cover the overtime expenses. Discussion followed about other options to try and cut back in the budget. Mr. Murphy reviewed the options before the Council and asked to discuss the options. He asked if there was any merit to discuss the possibility of reconsidering the levy. He continued to say if not they will either need to cut employees or change the mill rate for the franchise fee so it is a continued revenue stream.

Mr. Murphy asked if there was any way the veto was going to be overridden. He stated that with the absence of Mr. Leigh they could recess the meeting and see if he comes. Council member Helms stated that everyone he spoke with is happy the way he voted so he will not be changing his vote. Council member Vetter stated how they won't want to pay more in fees either. Mr. Murphy said the other options are to cut staff or increase the mill rate on the franchise fee. Discussion followed about how the franchise fee is paid directly by the customer, how American Crystal pays about 45% of that fee, and Water and Light bill includes fees for City services. More discussion followed about what personnel could be cut and make an impact and how departments are would be affected.

Ms. Anderson brought up raising the franchise fee again. Mr. Boyce stated if the mill rate was raised from 7.5 to 9 mills would add an additional \$105,000 to American Crystal's bill and would raise an additional \$240,000 per year. Discussion followed about what utilities Crystal uses and is charged for. Council member Helms commented how there weren't going to be any motions that will pass. Council member Vetter stated they will have to pass something and make

some hard decisions.

A MOTION WAS MADE BY COUNCIL MEMBER GRASSEL TO RECESS THE MEETING UNTIL MONDAY MORNING AT 8:00AM.

THE MOTION DIED FOR LACK OF SECOND.

A MOTION WAS MADE BY COUNCIL MEMBER HELMS TO RAISE THE FRANCHISE FEE FOR ONE YEAR FROM 7.5 MILLS TO 8.75 MILLS.

THE MOTION DIED FOR LACK OF SECOND.

Discussion followed about how this is a unique situation.

A MOTION WAS MADE BY COUNCIL MEMBER GRASSEL, SECONDED BY COUNCIL MEMBER VETTER, TO CUT 3.5 FULL TIME EQUIVILENT POSITIONS FROM THE BUDGET.

Voting Aye: Vetter, Tweten, and Grassel.

Voting Nay: Helms, Buckalew, Olstad.

To break the tie Mayor Stauss voted no. Motion was voted down.

Discussion followed about how the Council should move forward.

A MOTION WAS MADE BY COUNCIL MEMBER GRASSEL, SECONDED BY COUNCIL MEMBER HELMS, TO RECESS THE MEETING UNTIL MONDAY, DECEMBER 29th AND BEGIN AT 7:45AM.

Voting Aye: Helms, Buckalew, Tweten, and Grassel.

Voting Nay: Vetter and Olstad.

THE MEETING WAS RECESSED AT 7:54PM AND WILL RESUME ON MONDAY, DECEMBER 29th AT 7:45AM.

CALL OF ROLL ON DECEMBER 29, 2014 AT 7:45AM:

On a Call of Roll the following members of the East Grand Forks City Council were present: Mayor Lynn Stauss, Council President Craig Buckalew, Council Vice President Greg Leigh, Council Members Clarence Vetter(7:46am), Dale Helms, Henry Tweten, Mark Olstad, and Chad Grassel.

Council President Buckalew stated the meeting was in recess so any motions can be made.

A MOTION WAS MADE BY COUNCIL MEMBER OLSTAD, SECONDED BY COUNCIL MEMBER GRASSEL, TO CUT \$86,000 FROM THE GRANT MATCHING

FUNDS, \$20,000 FROM THE FLOWERS, AND \$80,000 FROM THE POOL BUT START THE POOL PROJECT IN 2015.

Mayor Stauss stated to make sure the funds are available for the pool project. Council member Olstad asked if Water and Light would be okay with giving those funds in 2015 instead of 2016. Mr. Boyce stated that should work. Discussion followed about what the project they will be moving forward with.

Voting Aye: Helms, Buckalew, Tweten, Olstad, Leigh, and Grassel.

Voting Nay: Vetter

Council member Tweten stated the City cannot continue to conduct business the same way. He asked to start looking at the budget in June so everyone will have an opportunity to discuss it. He suggested that legal action will be brought forward against the former EDA Director if necessary to get that issue cleaned up. He added there is a possibility of some recover some funds through insurance. Mayor Stauss commented that he didn't agree with how everything was handled and hopefully things get done with that issue. He also asked if budgeting starts early that the Council get a monthly report on the financials so they know where things are at.

A MOTION WAS MADE BY COUNCIL MEMBER TWETEN, SECONDED BY COUNCIL MEMBER LEIGH, TO ADJOURN THE DECEMBER 29, 2014 SPECIAL MEETING OF THE EAST GRAND FORKS, MINNESOTA CITY COUNCIL AT 7:53AM.

Voting Aye: Vetter, Helms, Buckalew, Tweten, Olstad, Leigh and Grassel.

Voting Nay: None.

David Murphy, City Administrator/Clerk-Treasurer