

COUNCIL WORK SESSION August 21, 2023

Under due call and notice thereof, a Council Work Session of the North Mankato City Council was held in the Council Chambers on August 21, 2023. Mayor Carlson called the meeting to order at 5:30 p.m. The following were present for roll call: Council Members Whitlock, Steiner, and Oachs, Finance Director Ryan, Community Development Director Fischer, Public Works Director Arnold, and City Clerk Van Genderen. Council Member Peterson arrived at 5:42 p.m. Absent: City Administrator McCann.

Budget Work Session: Tax History & Distribution, Relevant Strategic Plans, and Proposed 2024 Tax Levy

Finance Director Ryan reported that North Mankato's estimated taxable market value (TMV) is \$1.6 billion for 2024—an increase of approximately 8%, or \$118 million. The total tax capacity increased by approximately \$1.4 million. Based on the presented tax levy that included all of the Department Head requests, the 2024 tax levy would be at \$9.15 million, which is an increase of 18% and \$1.4 million in new revenue for the City. The increase in funds would be allocated increases in the debt service fund by \$177,000, the tax abatement levy would increase by \$3,000, and the new capital levy would be created for \$1,485,000. The estimated tax rate is 47.568%, a 3.54 percentage point increase from 2023. North Mankato is comprised of 5 major tax classifications, including residential, commercial, industrial, agricultural, and tax-exempt properties. The top 10 highest contributing tax entities in North Mankato contribute to 7.04% of the total levy, or approximately \$609,979. The average North Mankato homeowner pays roughly \$1,273.44 in city taxes. About 84% of all residents contributing to the tax levy have an estimated property value between \$100,000 and \$400,000.

Finance Director Ryan noted that the Council would not be asked to determine a maximum levy until the September 18, 2023, Council Meeting. At that time, the Council will set a max levy; they always have the option to decrease the levy when it is certified to the County in December.

Finance Director Ryan reviewed the 2023 Tax Levies for comparable cities and noted that out of 18 comparable cities, North Mankato is number the 8th lowest for a tax levy. At the same time, North Mankato is the fifth lowest regarding tax rates using the same comparable cities. In a review of the same comparable cities and their utility rates, North Mankato is the 3rd lowest at an \$87.36 average monthly utility bill.

Finance Director Ryan reviewed the 2024 Levy Discussion held by the Council at the August 7, 2023, Council Work Session. Staff was directed to prioritize the budget requests with Urgent, High, Medium, and Low priority. The Urgent and High priorities would increase the tax rate by 3.54%. If you include the medium priority requests, the tax levy will increase by 8.355%. Items included in the urgent category included an increase to the seal coating budget, an increase in the street mill and overlay, a general equipment increase of \$100,000, two street trucks for \$120,000, a parks truck for \$60,000, an increase in the bus transit budget, an increase in the ASA budget, 2 water trucks for \$60,000, stormwater repair budget increase of \$100,000 and installation of drainage for the Splashpad at \$175,000. The total for Urgent requests was approximately \$1.4 million.

Items included in the high priority included an environmental technology position for \$117,308.00, a full-time administrative support specialist for the police department for \$107,953.00, increased pay for crossing guards of \$32,000, a \$110,344.00 increase to police uniforms, training, and hiring fees for officers, a \$3,000 increase for heat in the evidence room, the Fire pump truck for \$800,000, reroofing the Fire Station for \$160,000, purchasing used plow

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for \$90,000, a parks mower for \$90,000, 2 UTVs for \$40,000, Wheeler Park parking lot improvements for \$65,000, Spring Lake Park Shelter renovations for \$30,000 and Spring Lake Bridge replacement for \$40,000, improved library electronics for \$10,000 and the repair of the pool liner for \$50,000, purchasing a leak locator for \$22,000, a sewer truck for \$60,000 and a truck for the environmental technician for \$60,000.

Mayor Carlson requested further clarification of priorities from the Public Works Department. Public Works Director Arnold indicated that the Environmental Technician was a high priority to help the City stay on track with MS4 requirements. He noted he believed the equipment needed to be updated due to continued increases in equipment repair. He said that due to restrictions on state contracts, the City has been unable to purchase new vehicles in the past two years. Public Works Director Arnold stated that 1/3rd of the fleet is over 20 years old, and 2/3rds is over 15 years old. Discussion was held concerning a replacement program. Council Member Peterson requested additional information on the fleet to evaluate the request further. Discussion was held concerning obtaining additional information on government leasing programs. Finance Director Ryan noted that the Fire Department had determined that they could sell their current pumper truck for approximately \$15,000 to \$30,000. It was noted that the Fire Department continues to look for grants to help pay for the equipment, and the Fire Relief Association will help pay for a portion of the pumper. It was also noted that the cost could be spread over more than one year due to the time it takes to outfit a pumper truck.

Finance Director Ryan also mentioned that two positions were moved from high to medium. Those positions were the IT Coordinator and the Drug Force Task Agent. The IT Coordinator has become more of a need as the City continues to grow, IT problems become more complicated, there is an anticipated increase in IT needs, and staff want someone who can quickly respond to questions and issues. Pantheon would continue to provide behind-the-scenes support, but the IT Coordinator would manage day-to-day needs. The need for the DTF agent was discussed at the previous meeting.

Finance Director Ryan requested guidance on how to proceed before setting the maximum levy in September. Mayor Carlson asked if the budget includes estimates for the increases due to the police labor agreements. Finance Director Ryan stated they have an estimate and have included that in the department budget. Mayor Carlson noted he supported the idea of additional staff and providing an agent to DTF but would like to consider waiting and preparing for future years.

The City Council requested an explanation of the prioritization of the requests. Finance Director Ryan stated she would work with Department Heads to provide additional detail into how the items were prioritized. City Council agreed to have Finance Director Ryan put together different options and were interested in a 4 to 4.5% Rate increase.

Council Member Steiner moved, seconded by Council Member Oachs, to adjourn the Council Work Session at 6:15 p.m.

Mayor

City Clerk