

**CITY OF BAYPORT  
CITY COUNCIL BUDGET WORKSHOP MINUTES  
COUNCIL CHAMBERS  
August 2, 2010  
4:30 P.M.**

**CALL TO ORDER**

Pursuant to due call and notice, Mayor Nowaczek called the City Council budget workshop meeting of August 2, 2010 to order at 4:35 p.m.

**ROLL CALL**

Members Present: Mayor Jon Nowaczek, Councilmembers Connie Carlson, Dan Johnson, and Judy Seeberger

Members Absent: Councilmember Torry Kraftson

Others Present: Administrator Mitch Berg, Assistant City Administrator/Planner Sara Taylor, Library Director Kathy MacDonald, Police Chief Laura Eastman, Fire Chief Mike Bell, Public Works Supervisor Mel Horak, Finance Officer Wanda Madsen, members of the Bayport Police and Fire Departments, and members of the public.

Mayor Nowaczek stated the purpose of the workshop was for the City Council to discuss the upcoming 2011 budget. He also praised staff for their hard work and dedication, especially with the uncertainty of issues impacting the budget process.

**Franchise Fees:** City Administrator Berg presented the option of implementing a utility franchise fee as an additional revenue source for the City, to help offset further cuts in local government aid (LGA). John Wertish, Xcel Energy's Community and Local Government Relations Manager, answered questions on franchise fees. Both Administrator Berg and Mr. Wertish spoke about the history of the franchise fee and how Xcel Energy would work with the City to implement the fee. Mr. Wertish explained that franchise fees would be reflected directly on individual customer utility statements as a separate line item.

**Budget Presentation:** City Administrator Berg gave a presentation on the 2011 proposed budget, beginning with an update of the 2009 and 2010 year-to-date financials. He explained that the 2010 budget was amended on April 5, 2010, and reported that expenditures and revenues are currently on target. He stressed, however, that with the 9% budget cut, there was still potential for expenditures to exceed revenues in the remaining six months of the year.

Administrator Berg noted the property levy has risen, even with budget reductions. The main reason is the continued decline in revenue received from the state, as the City of Bayport depends on up to 20-25% in LGA to fund the day-to-day operations of the City.

The proposed budget anticipates a loss of LGA similar to what was cut in 2010. Administrator Berg cautioned that the City could face a much deeper cut in LGA for 2011, as the state grapples with an estimated \$5.8 billion deficit. In addition, he cautioned the City could face additional cuts in Police and Fire state aid.

The final portion of the budget presentation focused on options for revenue opportunities and expense reductions, should there be additional cuts in LGA beyond the anticipated amount. Revenue opportunities included special levies, special assessments, franchise fees, drawing down the city's tax stabilization fund, or utilizing a combination of these options. Options for expense reductions included reducing staff, outsourcing and in-sourcing opportunities among the City's Administration, Police, and Public Works departments.

**Question and Answer Period:** Administrator Berg and John Wertish responded to additional questions on the franchise fee process and the possibility of Xcel Energy assisting the City with an energy audit to assess energy solutions that could help lower the City's energy costs.

Mayor Nowaczek expressed his support of implementing a franchise fee, as well as his support of maintaining the current Police Department staffing. He was in favor of eliminating a 1.0 fulltime equivalent (FTE) position in the Administration department or exploring contracting opportunities for administrative staff in order to retain current staffing levels. He recommended reviewing the budget every six months to gauge whether additional action would be required to rebalance the budget. Mayor Nowaczek stated his willingness to expend up to 10% of the tax stabilization fund to help balance the budget should the state make deeper state aid cuts.

Councilmembers Carlson, Seeberger, and Johnson indicated they concurred with the Mayor's comments. Councilmember Carlson commented she would like the City to take small, incremental steps as it moves forward with the budget. Councilmember Johnson believes the City's budgetary situation will not be permanent. Councilmember Seeberger expressed her appreciation for staff exploring a variety of the revenue options and recommended allowing staff to bring budget recommendations for City Council consideration. She also expressed her support of the City's Police Department and noted the value that the Police Department brings to the community through its community policing initiatives.

There was a consensus from the Mayor and Councilmembers to expend between 10 to 15% of the tax stabilization fund, if necessary, to counter any further loss of state aid. The exact amount of LGA for next year will not be known until May or early June 2011, six months into the budget.

## **ADJOURNMENT**

It was moved by Councilmember Johnson and seconded by Councilmember Carlson to adjourn the workshop at 6:04 p.m. Motion carried.