

BAXTER CITY COUNCIL MINUTES
Special Budget Work Session
November 6, 2014

Mayor Darrel Olson called the Special City Council Meeting to order at 5:37 p.m.

COUNCIL MEMBERS PRESENT: Mayor Darrel Olson and Council Members Jim Klein, Rob Moser, and Todd Holman

COUNCIL MEMBERS ABSENT: Mark Cross

STAFF PRESENT: City Administrator Gordon Heitke, Finance Director Jeremy Vacinek, Public Works Director/City Engineer Trevor Walter, and Assistant City Administrator Kelly Steele

Finance Director Vacinek explained market values have increased citywide. Some of the other overlapping tax jurisdictions could be shifting some of the tax burden on to the city. Residential properties have seen an 8.4% increase, whereas commercial and industrial have seen a slight decrease. Overall, the increase is 5.3%. It appears the commercial tax burden is shifting to residential properties. Crow Wing County is seeing a 1-2% increase in market values. Finance Director Vacinek explained he would be reviewing sewer and storm water enterprise funds tonight. Finance Director Vacinek has discovered BPU has billed the city more than the city has billed users. In the past this difference could be contributed to I&I problems.

Sewer cash flows were reviewed. 2014-billed usage has increase 1.5% from 2013. The City's treatment costs have increased approximately 7%. During the recession availability charges dropped. Total 2015 expenditures are \$1.8 million. \$480,000 is budgeted for sewer treatment charges. Finance Director Vacinek explained the operating losses are due to depreciation; mainly the wastewater treatment plant. The city is funding depreciation reserves so that rates will not have to increase to offset future expenditures. Rates are not budgeted to increase for 2015, but the council will want to review treatment costs. Finance Director further explained the city is obligated to maintain certain reserve fund levels and the fund levels affect the city's bond rating. Depreciation is increasing annually due to the model having a built in inflationary increase. Finance Director Vacinek cautioned the council to not be overly concerned the city is not fully funding depreciation.

Finance Director Vacinek explained how the storm water fund is more stable because the city is not billing on usage. There is no proposed rate increase for 2015, although for future years a 3% annual increase has been calculated. The council discussed storm water mandates and expenses associated with cleaning storm water ponds. Sales tax revenue cannot be used for storm water pond maintenance expenses, but can be used for funding new storm water ponds. The storm water cash fund is anticipated to be spent down in 2015. Finance Director Vacinek explained the state is requiring the implementation of water conservation rates. Staff recommends the council consult with a financial advisor to study conservation rates.

On November 25, the public will have an opportunity to review and comment on the 2015 budget. The council discussed adding the budget to the city's website to allow for public to review and comment.

The Council discussed the future of the Brainerd Fire Department and issues the city has experienced.

MOTION by Council Member Moser, seconded by Council Member Holman to adjourn at 7:47 p.m.
Motion carries unanimously.

Approved by:

Respectfully submitted,

Darrel L. Olson
Mayor

Kelly Steele
Assistant City Administrator/Clerk