

MINUTES OF THE TRUTH IN TAXATION MEETING  
OF THE BRAHAM CITY COUNCIL  
TUESDAY, DECEMBER 4, 2018  
7:00 P.M.

The Truth in Taxation Meeting was called to order with the following present: Mayor Patricia Carlson; Council Members Lowell Jaques, Shawn Sullivan, Jeremy Kunshier, and Vicky Ethen; and City Administrator Sally Hoy.

Present in the audience were: Delwayne Hahn from the Isanti County News, Scott McKinney from the Braham Journal, Police Chief Eric Baumgart, Robert Knowles, and Arlene Morgan.

Administrator Sally Hoy walked the council through the 2019 Final Budget. She reported there was no change in the 2019 Final Levy from the Preliminary adopted in September, and that the total levy of \$620,559 was an increase of \$13,629 over the 2018 levy, which was a 2.25% increase. Hoy reported that in spite of the LGA increasing only \$1,100, the City was able to keep the levy increase down, due to the increase in the General Fund Police Revenues, early payoff on the Horseshoe Meadows Debt Service Bond, and the decrease in bond payments for other debt service funds.

She reported the following highlights of the 2019 Final Budget as follows:

General Fund 101

- The Local Government Aid increased by only \$1,100.
- Police revenues for Training Reimbursement increased \$5,100. The City will be reimbursed for 7 officers at \$957 per officer. This revenue covers the training expense in the Police Department budget.
- New Police Services revenues of \$1,800. This follows the draft for the new Fee Schedule that we are working on with the Fee & Rate Committee.
- Police Admin Citations revenues of \$13,000. The State gets half of the money that goes into this line item. (See Police Dept expense to the State for \$6,500.)
- Safety - Increase in City Appropriation to the Fire Department of \$6,000 to off-set a decrease in revenue from Fire Contracts. Nessel Township had requested a change in the fire coverage, effective 1/1/19, where several sections currently covered by Braham Fire will be covered by Rush City Fire.
- Safety - For 2019, we're dropping the \$1,200 Fireworks donation because there is a balance in the fireworks reserves, and we're dropping the \$500 Summer Rec donation because the program is no longer in place.
- Police Department - The 2018 budget included extra money in police salaries for the hiring and training of new officers and a new police chief. With the police department now established, we were able to reduce the number of anticipated hours for the officers in the salaries line item for 2019. The overall Police Department budget increased \$16,718, the majority due to health insurance coverage, computer support, and motor fuel. The increase in the PD expenditures are offset by the \$20,000 increase in revenues generated by the Police Department.

- With building permit revenues increasing, we were able to decrease the General Fund transfer to the Bldg & Development Fund 680 from \$30,500 to \$26,535.

#### Horseshoe Wear Course D.S. Fund 303

- The Horseshoe Wear Course Bond was paid off early in 2018, dropping the \$26,538 bond payment and eliminating the \$19,915 levy from the 2019 Budget. The City will continue to receive the estimated \$5,500 from the current certified Special Assessments on the Horseshoe Wear Course through 2023, which can be used for any purpose now that the bond is paid off. The elimination of the \$19,915 levy helped absorb the new 2018 Street Improvement Levy (Fund 306).

#### 2018 Streets & Utilities Improvements D.S. Fund 306

- A new Debt Service levy of \$50,234 is added to the 2019 Budget for the streets portion of the 2018 Streets & Utilities Improvements. The utilities portion of the projects are covered by the Water and Sewer Funds.

#### Proposed Capital Improvement D.S. Fund 307

- This item is on the budget to get it on the council's radar for the 2020 Budget. The bond will cover repairs and improvements to some of the City buildings that are needed.

#### Ind. Park TIF 2-10 D.S. Fund 385

- Ind. Park TIF 2-10 is the current, active Ind. Park TIF District. It includes all of the lots with the exception to Lot 1 owned by Leaf's Towing, that is in the original Ind. Park TIF 2-8. In 2018, the City began paying property taxes on the 7 lots still owned by the City in the Ind. Park. This is according to State Statute that allows the lots to be tax-exempt for a maximum of 15 years. The City receives its share of the taxes back in the Kanabec County tax settlements, which we will use toward the annual payment of the taxes. Lot sales should remain designated for the property taxes as well.

#### Ind. Park TIF 2-8 D.S. Fund 403

- Ind. Park TIF 2-8 was the original Tax Increment District established for the Ind. Park back in 2006, and decertified 12/31/18. This means that the City will no longer be receiving the County and School portions of the property taxes being paid in the original TIF district (which includes only Leaf's Towing.) The City will receive only its portion of property taxes now, and will continue to levy for this Debt Service bond, which is not paid off until 2026.

#### Water Fund 601 and Sewer Fund 602

- The 2019 Budget includes rate increases in both the water and sewer funds. The last increases the City had on water/sewer rates was in 2010, and on the Debt Service fees was in 2013. We held off on rate increases for 5-9 years due to the economy, and instead used reserves to offset the shortfall in the budgets, hoping each year for the revenues to pick back up. We've seen an increase in water line breaks and lift station repairs regularly with our aging infrastructure, and with summers consistently wet year after year, the City is not taking in the revenues to keep the water and sewer funds healthy.

Two components to the necessary water rate increases come from the DNR—

(1) The DNR issues the Appropriation Permit for the City's wells, and requires that municipalities have a conservation rate structure in place before requesting approval for a new well or an amendment to the Appropriation Permit to increase the number of gallons under the permit. The City currently has a uniform rate structure with a conservation program that achieves demand reduction through public education efforts.

(2) The 10-Year Water Supply Plan also covers water conservation efforts and a conservation rate structure. Sections of the plan also address the inadequacy of the City's water source because the City's 100 gpm backup well would not supply the community for an extended period of time if the main 1,000 gpm well is out of service. The MN Dept of Health has also recommended a second, larger production well during their annual Sanitary Water Surveys.

Hoy reported she was currently working on the conservation rate structure that meets State Statute requirement, and a draft ordinance for rate increases would be on an upcoming agenda.

#### Liquor Fund 609

- Jacque anticipates a continued increase in revenues for the Liquor Store, which results in an increase in the expenditures as well. The expenditures also reflect the establishment of a full-time clerk position with benefits.

Hoy then walked the council through the Revenue and Expenditure Summary spreadsheets, which reflected the above highlighted budget items.

Mayor Carlson asked if there were any questions or comments. Hearing none, Sullivan moved, and Kunshier seconded to adjourn the Truth in Taxation Meeting. Motion carried 5-0.

Respectfully Submitted,

Sally A. Hoy  
Clerk/Administrator