

North Branch City Council

Work Session

Date of Meeting: May 7, 2015
Present: Councilmembers Theresa Furman, Kathy Blomquist, Joyce Borchardt,
Robert Canada, and Kirsten Hagen-Kennedy.
Also Present: City Administrator Konrad and Finance Director Hill

I. Call to Order

The meeting was called to order at 6:30 p.m.

II. 10 Year Capital Improvement Plan

Hill reviewed the 10 Year Capital Improvement Plan with Council. Furman asked when the Council purchased the Jaws of Life. Hill indicated it was in 2010 but said he would need to look into the cost.

III. 5 Year Staffing Plan

Konrad provided an overview of the 5-year staffing plan for the City. Furman asked if the City considered a Deputy Clerk. Konrad said that salary is evaluated based on duties regardless of the title. Konrad indicated that she believes a city of 10,000 needs a City Clerk. Konrad noted that both the CIP and Staffing Plan will be utilized when formulating the 2016 budget. Hill indicated that the process will be similar to last year where a base budget is developed and then various options from the CIP and Staffing Plan will be available.

IV. Utility Debt

Hill presented an option for Council consideration to refinance water bonds as GO Revenue bonds to help their financial position. He indicated that right now they are outside of bond covenant, they are not fully reserved, and they cannot bond. Hill then reviewed scenarios for improving the debt situation would save \$38,000 to \$800,000 depending on the option selected. He felt that if the City were to issue the bonds that there would need to be some requirements of the Utilities, such as monthly debt service payments to the City so adequate funds were available to make payments, a third party would hold the bond reserves, etc. The plan has not been discussed with the Water and Light Commission at this point because staff wanted to know if Council was interested first. Borchardt asked how the proposals would affect other rating agencies. Hill indicated there may be an affect. Hagen-Kennedy said that there would have to be some triggers met if the Council approves this. She then said that the Water & Light Commission would need to approve this as well. Borchardt indicated there are a lot of constraints on the ESSBY property that takes away flexibility. Hill explained that the City had no choice as the bond for ESSBY matured in 2009. Hill explained this had to be done there was no choice. Hill indicated that when the City bought the land, which has not been sold, there is debt to pay even without land sales. Hill indicated that the improvements that were put in require \$600,000 per year to pay the assessments. Hill indicated this is a complicated debt structure for the ESSBY property. Borchardt asked if the City does a GO bond for Water & Light, how would that affect the ESSBY project in the future. Hill indicated that Kathy Aho would be better to ask that question of but he said that the credit rating needs to be improved. Furman asked the two users on the system how they felt about issuing GO bonds. Blomquist stated would go with Hill's recommendation even though it was a hard decision. Hagen-Kennedy stated she

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appreciated Hill's conservative approach and that he looked at both the long-term and short-term impacts. She also would go with Hill's recommendations. She liked the recommendation to have triggers that would need to be met. She felt it would benefit the City to improve the bond rating, but at the end of the day the Water and Light would have to agree to this. She would probably go with the middle option. Hagen-Kennedy asked Hill what would be the best recommendation to move the City forward to improve bond rating. Hill said he would go towards the middle of the options because it gives the City some savings and if the payment can be made now then there should be the base to make the payment in the future. Furman asked what controls the City has above and beyond what is there now if the City does a GO bond and Water & Light defaults. Furman proposes a study committee of the City Administrator, Finance Director, Public Works, General Manager from Water & Light and two Councilmembers she and Councilmember Canada meet to discuss the City taking over water. Furman would like to know if Water can be brought to the City for control. Furman said that the committee would be charged with different things. Some of them were to get legal questions to see if do we need a referendum to see if we can take the water from the Water and Light and bring it to the City and have control of water under Public Works. Konrad stated she believed a referendum would be required. Hill indicated that if you lose water system then you lose the sewer system. Hill said that he does not think it is time to make this a political football. Furman said that without her conditions she is not interested in any of this. Furman said that if water came under the direction of city under Public Works with water and sewer, then it is our obligation, however, then we are in control of water, so then therefore they are out of that picture. Furman would like to have citizen input on this because a GO bond will affect the General Fund if it defaults. Furman also proposed a timeline. If it came to the council meeting on May 12 to do a committee to investigate it that could take 3 or 4 months. We could determine some time in August if that was a viable option and possibility putting it on a ballot in November, if that's the case. Konrad said it is not an election year. Furman said that then we would be able to do it the year after. Furman said that it would have been easier oversight financially if we had five people, but we don't for the water and light, we have three. Borchardt reminded Council of a statement that was made, that at this point all necessary infrastructure is in place to move our City forward but there are financial issues here so she is confused because she hears two opposing sides but by going to GO bond we are going to obligate every taxpayer in town rather than the revenue taxpayers in town. Blomquist said that she was on the Water & Light Commission and made that statement. Hagen-Kennedy asked Council to not make this political and stay focused on the topic at hand. Blomquist said that this proposal will benefit the City and the Water & Light and would go with Hill's recommendation. Canada indicated he does not think a decision is needed now. Canada said that he was writing down notes from Councilmember Furman and he would use those as a focus to study and that would be one way. We don't have to make a decision now. Furman agreed to look into this if it is a study. Borchardt said she needs more information. Borchardt said that Furman's thought about a committee to work on this to bring out the concerns to get the information we would need to fully understand the whole picture she thought would be necessary.

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Hagen-Kennedy stated there is not a majority on the Council. Blomquist asked if questions can be sent to Hill for answers. Hagen-Kennedy said that would be fine.

Motion by Hagen-Kennedy, seconded by Canada to adjourn.

Adjourned at 8:40 p.m.

Respectfully submitted,

Bridgitte Konrad, City Administrator
jrl/TOSS