



RIVER FALLS CITY COUNCIL WORKSHOP #2 REGARDING THE 2024-2028 FISCAL PLAN

September 26, 2023, 5 p.m., Training Room, City Hall

City Council Members Present: Dan Toland, Jeff Bjork, Todd Bjerstedt, Nick Carow, Sean Downing, Scott Morrisette, Alyssa Mueller, Diane Odeen

Members Absent: None

City Staff Present: City Administrator Scot Simpson; IT Specialist Sterling Hackney; Management Analyst Fellow Sara Kasel; Finance Director Josh Solinger; Utility Director Kevin Westhuis; Library Director Tanya Misselt; Economic Development Manager Keri Schreiner; Fire Chief Steven Cash; Community Services Director/City Clerk Amy White; Community Development Director Amy Peterson; Assistant Director of Community Development Emily Shively

Others: Ben Fochs, Wayne Roen, Rebecca Ferguson

At 5 p.m., Mayor Toland called the workshop to order. Finance Director Josh Solinger provided a recap from the first Fiscal Plan workshop. He talked about remaining under the levy limit cap. The target is not to exceed four percent net levy increase with 1.5 percent net new construction and +1 FTE over five years. Development, particularly in TIDS, is critical to future budget assumptions.

Solinger said the purpose of the workshop is to check in with council regarding macro assumptions – levy targets and allocations, staffing, reliance on development, etc.

Solinger spoke about the annual change in percentage in general fund expenses. He talked about the percentages and the expenses which drive those numbers.

Solinger talked about component parts of general funds revenues. He spoke about growth-based revenues (property taxes, TID transfers, license and permits) and the city's reliance on that. Solinger answered Council questions.

Solinger showed a slide with the net levy change with and without cash financing of capital projects. Staff assumes that Council's preference is to maintain smaller, predictable growth in levy (capped at four percent net growth) and to cash finance projects in lieu of levy backed borrowing when possible.

Aldersperson Downing asked about using revenue to stabilize library expenses. Solinger said levy limits would be a challenge. There is only \$100,000 to work with. It becomes a question of priorities. Simpson said it would be using a one-time increase in revenue to pay for a long-term operating deficit. There was discussion about stop gap.

Mueller asked about if there was an impact in levy if the library stopped paying fees to the city. Simpson said yes. Solinger said it would have to be made up by more levy. Mueller asked about the costs for FTEs. Solinger said about \$120,000 per position and benefits. Simpson talked about how reductions are being made to fund one FTE. He talked about how positions are funded. Simpson said we should check the macro first. Mueller felt the Council should have an agreement about library funding. Simpson wanted to check if top line is correct on the chart on the slide. He spoke further.

Morrisette asked about assumed growth rate. He talked about the city getting blamed for the entire tax bill. We need to be cognizant of the city's increase in relationship to other entities' raising their amounts. Bjerstedt liked the top line.

Solinger continued and talked about planned general obligation debt (GO) with 2024-2028 CIP, city projects, and GO debt by year. If these assumptions were to change, the calculations would need to change.

Simpson talked about rural fire. Alderperson Morrisette is the city's representative at meetings. Staff is assuming they pay 35 percent for partnership. The project was reduced in cost. He wanted to check in with Council to see if that makes sense. We haven't asked them to pay more or less – it is 35 percent of the total project. Downing asked about other examples communities paying 35 percent. Simpson answered talking about other communities. He said the city has a three-factor formula based on population, fire calls, and equalized value. Staff is proposing the same contract going forward.

Bjork asked Morrisette his take as the city's representative. Morrisette provided context. He talked about Town of Troy resetting their boundary. He believes 90 percent of representatives appreciate relationship. Morrisette talked about good communications and relationships. There was further discussion.

Simpson wanted to check assumptions again - funding and rural fire partnership. Morrisette thinks they are in tacit agreement. There was further discussion.

Solinger talked about levy capacity per year. The assumption is to remain under levy limit to accommodate years beyond 2028 (approximately \$150,000 estimated capacity). Simpson said the assumption is Council isn't asking staff to tax to the maximum.

Solinger talked about projected levy versus target. He showed charts illustrating it. Simpson talked about street maintenance being included in the general fund. Morrisette thought it would be helpful to get a breakdown of what is in the general fund (as shown in the chart). Simpson provided more information and talked about the targets.

Downing asked how the percentage for the library was determined. Simpson said that's where the Council set it. At the time, the thought was the library had a big percentage of the levy and there were other priorities identified. Solinger said the library receives the second highest amount after the police department. Solinger said the check here is that Council is in alignment with the percentages.

Mueller wanted a higher percentage for the library at 11 or 12 percent because the real world is not staying flat in terms of cost. We are implementing an increase in staff wages. The library pays back roughly \$190,000 a year in services. We are losing services because we are cutting positions. Our library is a gem, and we should keep it as a gem. She talked about how the library supports people. Mueller proposed increasing the library percentage. She doesn't want them to have to go out for an operational levy.

Morrisette asked Mueller where she wanted to take the two percent from. Mueller responded saying she doesn't care.

Carow talked about setting policy objectives. He talked about past percentages. Simpson provided clarification. Carow talked about the library's book check system and more. He doesn't feel comfortable with the story he was told with how the library got to where it is. He is also one to listen, so we understand going forward. Carow talked the narrative many on council had heard. He talked about how he created metrics regarding the library. Carow said the library is doing more with less than ever before. He doesn't know if he is at 11 percent. He wanted more information about the numbers and targets. He thinks the city has a sustainable model.

Downing talked about looking at dollar amounts.

Simpson said difficult decisions would need to be made if Council set the target in 12 percent range. The likely result is less police and less public works staff. Council doesn't have a significant amount of policy options. Council could do less capital debt service potentially. If the fire station isn't done in the next 10 years, you'd probably have it. These are not threats. Simpson wants to give Council tangible things to consider. He talked about the 10 percent target. Simpson said what the city did in a thoughtful and specific way was say we wanted more emphasis on parks, technology, communications, and police. That's where your investments went with those levy dollars. The Council can readjust the priorities. It was telegraphed. It wasn't a surprise or secret. We have had lots of public meetings about what the Council has said is a priority. We have paid off the library mortgage, now let's get working on our parks, let's get more police officers. That was a conscious decision by the policymakers that was carried out enthusiastically by staff. Now here we are at a reflection point to figure it out.

Solinger talked about the positions the city is looking to add back in. He talked about positions that are backed by 100 percent levy – streets, parks, police, fire. We would likely be looking at unless we were to come up with a solution on the revenue side which would require conversations about being less conservative than we are in the model.

Carow was curious to know where his colleagues sit in terms of looking at this as a projection. He doesn't think anyone is looking to shutdown a fire station.

Mueller wants to be clear. She thinks the library is a gem. She thinks the police force is a gem. She thinks the fire department is a gem. We have a fantastic city. She understands these are decisions that must be made but she doesn't want to walk out of the meeting with someone saying, "Are you going to cut a firefighter? Are you going to cut a police officer?" Because that comes in as she is anti-police/anti-firefighter. She doesn't appreciate that. Mueller is saying the library is a community resource just like the firefighters, just like the police officers. The library is currently having financial difficulties with the assumption that was made many Councils ago. We should look at that. She is just throwing a number out there and doesn't care if it is a dollar or percentage. She doesn't want this conversation to become about cutting positions. That's not what this is about and that's how she felt when she first said it.

Morrisette said he didn't intend for her to feel that way, but the reality is it needs to come from someplace. Council is going to have to make that decision - trade off. Council must make some financial decisions. The library is unique. The city gives it a budget, and they spend it how they spend it. They are not told to put five master librarians on and two pages. We say 'here's your pot of money. Spend it.' It's a little difficult. He has had the same conversation with them and appreciates their passion. The reality is that we have to equally to decide between departments how we are going to spend that money. It's not an easy situation to decide. We dictate to other departments how the money is going to be spent.

Simpson asked about how to best inform the Council so they can decide. The percentage is a target to use as a tool. The Council also has the total amount of money. Simpson said the likely outcome is adjusting FTEs in the general fund. That's the fiscal reality as he sees it. He wants to know how staff can get Council more information to decide whether the library is in fiscal distress.

Simpson is not sure as Council's advisor that he believes that's the case. He doesn't think they are in a case where staff can't resolve their fiscal issues and still provide excellent library service. The Council has advisors on the library board that seem to disagree with him. Their advice is equal or better if that's what they'd like to take. He's not trying to work the percentage up in the fiscal plan. Our assumptions are trying to get at parks and public works and police. Staff thinks the service demand is much greater growth. He doesn't believe library service demand is growing at anywhere near the rate of other areas of the city that are priorities to community based on the survey results and council feedback. That's how we put this together. We are plowing seven more miles of street this winter. That's a direct and specific increase in responsibilities. The library services by

most metrics are level at best; that doesn't mean it is not important. Simpson spoke further about the library services and the demand for direct services.

Downing said an itemized list for stabilizing what we have and what the difference between what .5 and one percent more would look like. Simpson said Council has a proposal from the library. They want at least \$200,000. It is base building which means it's going to continue. Simpson talked about needing to do more if the Council wanted to fund it.

Mueller asked about the possibility of 'gifting' allocations for the library. Is there a way for Council to increase that expenditure without getting into a conversation about losing people? From the library's PowerPoint, the allocation has increased significantly in the last five years.

Simpson talked about Council asking staff to make significant investments in IT, HR, communications. It reflects in allocations going up for all operations.

Mueller asked about allowing the library not to pay it back would it not solve some of their financial concerns. Odeen wanted to see how those costs are assigned to other units of the city. She assumed if the library didn't pay, the other units would have to pay. It's allocated around - someone must pay.

Solinger said there's probably a couple of approaches to take. For revenue not coming into the general fund, we would find a corresponding decrease on the expense side. So, we'd be going back to conversations on positions or other costs again. He talked about costs being redistributed. He talked about the utilities paying more which would fall back onto rate payors. The allocations happen across virtually all departments in the city. Solinger talked about library positions. He said both the library and solid waste fund have received some assistance on the allocations already; the other funds have not.

Morrisette talked about the BID Board being charged overhead. Everyone is getting an allocation. We can't pick and choose. Simpson explained the allocations are actual costs to support the library. He explained what would happen if the library chose not to use city services. Simpson said he was not in power to make decisions about spending at the library which he felt would make the situation better. That's the only reason the library is separate. Simpson talked further about the fiscal plan and possible scenarios.

Carow talked about possible library innovations that might help. Simpson didn't think that is what lacks. He doesn't think it a problem with management. He thinks the discussion needs to look at library hours, staffing, and services.

Morrisette talked about the state statute. He thinks the library board is supposed to do that and doesn't know if Council can do that or should. In the end, the library is given money and needs to decide how to spend it.

Mayor Toland said since he's been mayor and probably before that time, the library staff disregards information/suggestions given by City staff. He felt they have made a policy of not listening to City staff who are trying to help them with financial issues. That's why he has a hard time giving them more money because he thinks they won't spend it the way they should. They haven't listened to the finance director. The city administrator has numerous meetings and suggestions. This has been coming for 15 years. They know it; we know it, and they have done nothing about it. Now they are at the edge, and it's the city's fault. Toland has a hard time just dumping money into problem. He said over the last 3-4 years, library staff have done a good job realizing they need to make cuts, but he doesn't think dumping more money into it will fix the core issue.

Odeen asked for the PowerPoint to be sent. Simpson asked if Council wanted a third workshop. They did not. There was discussion. Simpson said staff would figure out ways to get the council more information.

The workshop adjourned at 6:24 p.m.

Respectfully submitted,

Kristi McKahan, Deputy Clerk