



RIVER FALLS CITY COUNCIL WORKSHOP REGARDING THE 2024 BUDGET

October 10, 2023, 5 p.m., Training Room, City Hall

City Council Members Present: Dan Toland, Todd Bjerstedt, Nick Carow, Sean Downing, Scott Morrisette, Alyssa Mueller (5:47 p.m.), Diane Odeen

Members Absent: Jeff Bjork

City Staff Present: City Administrator Scot Simpson; IT Specialist Jon Smits; Management Analyst Fellow Sara Kasel; Finance Director Josh Solinger; Utility Director Kevin Westhuis; Library Director Tanya Misselt; Community Development Director Amy Peterson; Deputy Clerk Jackie Hanson; IT Manager Mike Reardon

Others: Ben Fochs, Wayne Roen, Rebecca Ferguson, Kay Montgomery, Jean Ritzinger, others

At 5:04 p.m., Mayor Toland called the workshop to order. He asked councilors to save their questions until the end of the presentation by Finance Director Josh Solinger.

Solinger began by thanking his finance team including Kristine Basom and the city departments. He wanted to do a mid-cycle check-in.

Solinger talked about the budget themes including financial sustainability, investing in the future, and information technology. He talked about each of the themes individually. He spoke about the city's credit ratings/scores; Mann Valley; and the steps that were taken for getting cybersecurity insurance coverage.

Solinger gave a budget summary. He talked about 2024 budget adjustments for the general fund, the library, solid waste, electric, water and wastewater.

Solinger talked about the special revenue fund, the general capital, capital equipment, city hall fund, and information technology. He provided a slide showing the summary of the funds and the figures attached to them. He said unassigned fund balance hovers around the 50 percent target.

Solinger talked about the proposed net levy. He spoke about the differences in the general fund, library operations, debt service and capital. He talked about the impact of the levy on a \$250,000 house in River Falls.

Solinger continued talking about utility rates. He spoke about current rates versus recommended rates for fees for electric, water, and sewer. He provided the recommendations from Trilogy for rate increases for electric, water and sewer.

Solinger continued talking about other considerations. He spoke about the 2024 capital improvement plan and the projected plan which totaled \$17,490,796 for all funds in 2024. Solinger talked about planned borrowing which is project dependent.

Solinger talked about the process and next steps for the budget. The 2024 budget plan approval is \$53,176,825. The approval of levy for 2023 is collected in 2024. The expense approvals are done as needed. The first reading is October 24, and the second reading is November 10. The mayor asked if there were any questions from council.

Alderperson Carow asked about the ROI for the solar panels. City Administrator Simpson said they are about break even now. It is more of a demonstration than a reduction in the electric bill. That's why they weren't

recommended for the library. Carow asked if we didn't do them would we lose efficiencies. Simpson didn't think so. He talked about the council possibly raising rates higher than anticipated which would affect the math. It's possible we could lose out on savings. There was further discussion about solar panels and payback.

Aldersperson Downing asked about a proposed daylight savings average rate. Simpson clarified if he meant time of day and Downing did. Utility Director Westhuis provided information.

Downing talked about the concept of creating nested strategic meetings. Council would create a workshop, if needed, for a subject matter that is difficult to bridge gaps between departments. He provided an example of the Library Board and city staff to work together to analyze what the full-time employee footprint should be. The report would be generated for council. The council would be invited to watch but not participate but council could see the internal dialogue. He thought it would be valuable and was curious what other councilors thought.

Aldersperson Morrissette would need more context. Aldersperson Odeen felt the council does high level policy setting. She is hesitant about getting involved in the day-to-day operations that we hire excellent people to do. She appreciates the reports. If council was there, the conversation would change.

Mayor Toland said staff does a good job already to work out solutions. If there's something going on you want to be invited to, they can do that. Toland asked if Downing meant that council would tell staff they need to meet with certain groups. Downing said yes; it would be similar to a workshop. Council wouldn't participate but could watch and understand how they are getting to the direction they are going. Downing spoke further.

Aldersperson Bjerstedt asked about recommendation on utility rates current versus recommended and why the big difference.

Solinger said it comes down to the way the PSC sets the base rate of return. He provided detailed information on how the rate was determined. Morrissette asked about when the last rate case was done. He talked about rate cases being done every 4-5 years to avoid large increases. Utility Director Westhuis provided further information. Simpson talked about the process with the PSC. He talked about doing expedited rate cases.

Odeen asked for information about the decreased costs in personnel. She asked about the overall change in personnel and what was anticipated. Solinger explained its turnover. We haven't budgeted for more FTEs. There are positions that are vacant now.

Simpson asked Odeen if her question was what FTEs we aren't budgeting for. Odeen said yes, there seems to be a lot of changes in personnel allocations. Solinger could provide a list. He said part of it is implementation of class and comp plan, turnover, health plan changes. Those are the updates that were made.

Simpson talked about the number of positions. We are focusing reductions through planned attrition not in layoffs. Downing asked about those positions being rolled into police and public works. Simpson said we have not committed the council to rolling those into anything. The fiscal plan is allowing the council to determine the priorities of the city going forward. He talked about where service demand for the city is currently. He talked about the increase in park acreage, increase in police and fire calls, and recreation registrations. If he had to commit today, park and street maintenance and law enforcement are biggest increases in service demand. Simpson is not willing to rule out efficiencies over time. He spoke further about strategic initiatives in the future.

Downing understood the need for an investment police and park staff. He also thinks there are needs that go unmet at the library. That's why he thinks there is a need for a strategic type of workshop. Downing talked about library staffing scenarios including hiring library pages/assistants. He spoke further.

Morrissette has been thinking about the library. He said if there's a \$200,000 gap at the library, he suggested exploring the same mechanism used for green energy blocks and make it a volunteer election on the utility bill.

He talked about the math. The library would have to do the campaign. He doesn't know if it is feasible or not, but we would have to talk about it.

Simpson gave an update on the library. They have made a request to amend MOU. He has been involved in no less than 50 emails in last 30 days including in person meetings. The library is a concern. He thinks council has asked him to be committed to a solution that allows library to continue to operate to provide good service to the community in the context of the fiscal plan which says they can't be a deficit-funded operation. They have a finite amount of fund balance. They have desires as far as an operating model. Simpson talked about them not going into a deficit in five years and not making payroll. It's important at end of five-year fiscal plan to have them operating supported by ongoing revenues. He talked about using fund balance to support operations for some of the next five years. He talked about the library needing to change their operating model. It hasn't been sustainable. He has been very transparent with his concerns for the past decade. Simpson talked about the fiscal plan coming back to council for approval. He spoke about the monies going to the library. There has got to be some additional fund levy to put toward library to make it work. He talked about different scenarios and making changes to the model and that other departments would be doing without. He talked about the levy and percentage the library will receive.

The mayor asked Simpson or Solinger to write something up for council to review. Simpson wanted to reinforce this is not lack of communication or dialog both by library board and city staff. There is no easy solution. Simpson doesn't think the urgency is the 2024 budget. It's better to deal with it now than later. He talked about things coming up for the 2024 budget like body worn cameras for police. He spoke further about the vote for the budget.

Carow asked about the mechanism for Morrisette's idea. Simpson has not explored revenue enhancements. He talked about whether some of the ideas were worth the effort.

Morrisette's position is we give library board money, and they decide how to operate. We accept mayor's appointments. We trust they do the best thing for library. He doesn't know that council should get into figuring out how to spend it. He struggles telling them how to staff - that's their responsibility. That's why he thought the check off on the utility bill might be a good idea.

Downing asked isn't that telling them what to do? He talked about the library complaining about human resources allocation. He spoke further about the library needing to fund the master plan, the library deciding to move to fine forgiveness, his suggestions for staffing and more.

Odeen talked about public institutions going through changes. She is looking forward to finding out how they are going to transition to be the library of the 21st century. It's going to change in all kinds of ways. Part of her reluctance to throw more money – put a band aid on it – is she's not sure it's going to fix anything. Just like the city has changed its personnel structure in just about every area as times change, the library has to change too, and they get to decide how to do it.

Downing noted the ten percent is more in the future than it is today in actual dollars.

Carow appreciated the willingness to keep talking. He thinks council has signaled a willingness to keep talking to a point. We are also signaling a strong message that we are open to looking at innovative ideas when they pop up. He talked about being in meetings regarding church attendance with people not coming back after the pandemic. The pandemic is ongoing in terms of the disruption to people's lives, and he thinks the library is wrestling with that too. Innovation plus sustainable funding and continual conversations would be a healthy path.

Simpson asked if the council wanted another workshop. Council did not. Simpson told council it is unlikely that staff would have a long-term library solution by the budget reading.

Aldersperson Mueller asked if council has ever met with the library board for free-flowing conversation. Simpson didn't recall a meeting. Odeen said council can attend the meeting. Mueller said yes, but we can't have dialogue. She is talking about having dialogue with solutions. Simpson said it is rare council does that because the council is the master policy setter. In the past, some councilors were not keen on that idea because it takes away the liaison role of the council member who is sitting on the board. He provided some examples.

Morrisette would suggest that council direct staff to work with the library board, continue their dialogue either to the point to where they come to a proposal or an impasse, then council can decide to have a joint meeting or review the information as a memo.

The mayor noted it doesn't have to be done before the budget gets passed. Council needs to remember that.

The workshop adjourned at 6:23 p.m.

Respectfully submitted,

Kristi McKahan, Deputy Clerk