



**MINUTES
CITY COUNCIL WORK SESSION
May 20, 2008**

CALL TO ORDER

The meeting was called to order by Mayor Gilbert at 5:35 pm.

Present: Mayor: Randy Gilbert; Council: Sam Rettinger, Sharon Henderson, Ben Goodwin, and Jim Benson

Staff Present: City Administrator: Steve Stahmer

Absent: None

APPROVE AGENDA

A motion was made by Rettinger, seconded by Goodwin, to approve the Agenda as presented:

Ayes: all.

DISCUSSION ITEMS

Discussion: Proposed Budget Reduction Measure

Mayor Gilbert stated that he had asked Stahmer to schedule tonight's work session. He asked, given the sensitive nature of the discussion, that everyone be respectful.

Gilbert stated that he and Goodwin had had discussions regarding the 2009 budget and levy given the assumed impacts of the 2008 Street Improvement Project. He stated that it was likely that the levy would have to increase six to ten percent, and that was not a level that he could support. Therefore, he and Goodwin have discussed where costs can be cut, primarily in terms of payroll/staff given that the City's budget is largely personnel. He noted the difficulties of the current economy.

Gilbert stated that he and Goodwin looked at all of the positions at City Hall, and it was Gilbert's opinion that the position of City Administrator should be cut and combined with the position of Finance Director. He noted that he and City Attorney Jamnik had had this discussion with Stahmer on May 14, 2008.

Benson asked what "hard times" Gilbert was referring to, with regard to the economy.

Gilbert stated that, noted that a tough economy and declining home values made the prospect of a relatively large increase to the tax levy unacceptable.

Henderson noted that property values were abnormally high in the past, and that this was largely a market correction and a "paper" decrease. She also pointed out that Long Lake has seen only one foreclosure.

Benson stated that a 6+% levy increase would match the increases in nearly all of the surrounding Cities.

Henderson stated that she thought such a staff termination/reorganization was a huge mistake.

Goodwin stated that when he ran for City Council, it was based upon saving money in the budget and keeping the budget around the rate of inflation.

Henderson noted that people in the City have been very happy about how the Council is working together, and what is occurring in the City. Since Stahmer has been at Long Lake, there has been improved leadership in the Council and the City. She stated that many people would not be happy with the proposed changes. She stated that she wanted to see budget numbers as part of the budget process, and that any such decision had to be based on more than just money.

Henderson noted that when the Council gave Stahmer a raise and a contract less than a year ago, the Council asked him for commitment not to leave the City, and he has done that. She stated that Stahmer has saved the City money, and brought in money that more than compensate for his salary.

Goodwin stated that this was not an issue about Stahmer's performance or integrity.

Henderson stated that the Council needed to consider all of the "fallout" that would occur because of such a proposed termination/reorganization. She stated that, under Stahmer, this was the first time that the City has had goalsetting and an open decision making process.

Gilbert made the comment that there was no intent to make this a secretive discussion. He noted that, due to open meeting laws, he could not discuss such issues with more than just one Councilmember (Goodwin) prior to the meeting.

Gilbert stated that he had already told Stahmer that this was recommendation was not personal against Stahmer, and that this was not performance related at all. But he did question how much work there was to be done in the City given the lack of development.

Rettinger stated that he has long believed that the City is overstaffed, but he would support looking elsewhere at staff reductions, but did not express support for the City Administrator/Finance Director combination.

Benson stated that he remembers back to the beginning of the road improvement plan. He stated that he wasn't sure why the possible 2009 levy increase came as a surprise. He noted that such peaks in levy increases were known when the City adopted the road improvement plan. He didn't think the assumed levy increase was unforeseen, nor was it too large. He stated that this proposal should have come forward as part of the regular budget process.

Goodwin stated that he agreed that it should be looked at as part of the budget process, but that enough facts are known that the City will be staring at a larger levy increase.

Stahmer distributed a spreadsheet showing the 10 year assumed levy increases based upon annual 3% inflationary adjustments to the general fund levy, as well as changes (both increases and decreases) in the debt service levy as road project debt service levies are added or removed over the timeframe. Stahmer stated that the goal of staff in developing the current pavement management plan was to, over time, reduce the number of outstanding bonds from a peak of five down to having three outstanding at any given time. Stahmer noted that the 10-year average levy increase was 2.8%, including some years of levy decreases.

Stahmer noted that by doing the 2008 Street Improvement Project this year, rather than postponing it, the City likely saved more than a couple hundred thousand dollars.

Stahmer noted that what staff was looking at in terms of the pavement management plan was the long term financial sustainability as opposed to single year increases or decreases.

Goodwin stated that he could not support a 7% to 10% increase and could not justify that kind of growth in government beyond inflation.

Stahmer noted that over the past four years, the City's general fund operating levy had been held to an average of 1.5% growth per year, and that he would also not be happy bringing in such a large increase without trying to reduce it. He stated that the statewide average levy increase in 2008 was 8.1%, and it was 7.4% in the metro area. While not recommending such high increases, he noted that the numbers that were being discussed in Long Lake for 2009 were in the average range.

Gilbert stated that he did not want to compare Long Lake to those average numbers.

Benson stated that such an increase would be easily explained by explaining the infrastructure investment program. He noted that he could not vote on such a proposal to cut the City Administrator after a one hour discussion.

Gilbert noted that he understood that the process would need to move forward more before any final decision were to be made. He noted that this was a difficult process and recommendation, and he would rather not have to make such a move.

Gilbert stated that staff and Council need to look closely at the budget in preparation for a June 3 budget work session. He would like to see a preliminary budget. He noted that he would not vote for a 7% to 9% levy increase.

Stahmer also stated that such a combination of positions was not supported by staff, and would likely not achieve the amount of savings that have been assumed due to need to hire part time staff or contract out for services, given that the two roles cannot be entirely filled by one person.

Goodwin stated that, of course they have considered the fact that some costs would likely need to be added back, but that there is some benefit that can still be achieved.

Gilbert stated that a lot of work still needs to be done on the budget. He recommended that staff bring forward a preliminary budget, with any known costs or ideas for reductions. He stated that, if a 7.5% budget increase is brought forward for final approval, that he would not be able to ratify such an increase.

Rettinger stated that he still thinks other positions should be looked at for reduction during the budgeting process.

Gilbert reiterated that he was not attempting to surprise the other Council members with this proposal, and that this was not a personal attack on Stahmer, but it was a difficult proposal that he thought was needed.

Benson reiterated that he did not like the process that was followed with this proposal, and that he was not concerned with a larger than average increase given that it was the result of an infrastructure project.

Gilbert stated that there may be other solutions that need to be discussed.

The Council directed Stahmer to schedule a budget work session for June 3, 2008.

ADJOURN

Hearing no objection, Mayor Gilbert adjourned the May 20, 2008 City Council Work Session at 6:36 pm.

Respectfully submitted,

Steve Stahmer
City Administrator