
The Mandan City Commission met in a working session at 5:30 p.m. on May 2, 2016 in the Veterans' Conference Room at Mandan City Hall, 205 2nd Ave NW, Mandan, ND. Commissioners present were Van Beek, Tibke, Rohr, Laber, and Braun. City Department Heads present were City Administrator Neubauer, City Attorney Brown, Finance Director Welch, Building Official Lalim, Water Treatment Plant Superintendent D. Fries, Fire Chief Nardello, Director of Public Works Wright, Assessor Shaw, Police Chief Ziegler, Wastewater Treatment Plant Superintendent Himmelspach, Planning & Engineering Director Froseth, Business Development and Communications Director Huber, Deputy Police Chief Leingang, Code Enforcement Officer Camisa.

Discussion Items:

Recap and discussion regarding 2016 budget. Finance Director Welch presented the following budget topics and details for review and discussion:

2017 Budget Calendar

- May 2016 – Finance department to supply budget instructions and worksheets to departments.
- June 15-24, 2016 – Budget worksheets due from departments.
- July/August 2016 – Budget and Finance Committee to conduct internal budget hearings with department managers, supervisors, and portfolio commissioners.
- August 16, 2016 – Introduction and first consideration, and call for public hearing of Ordinance adopting Budget.
- September 20, 2016 – Board of City Commissioners to conduct public hearing. Second and final consideration of Ordinance adopting Budget. Resolution establishing rates and charges for services.
- September 21, 2016 – Finance department to submit certified copy of levy and certified copy of final budget to Morton County Auditor.

Building Inspection Department

- All Permits – Building, Plumbing, Utility, Gas, etc...
- 2015 Revenue – \$498K
- 1st Quarter 2016 Permits – on pace with 2015.
- 1st Quarter 2016 Permit Value – ahead of 2015.
- Building Official Lalim discussed the building permit activity for April 2016 and what he sees on the horizon for 2016.

State Aid Distribution

- State of ND collections consisting of sales, gross receipts, use, and motor vehicle excise taxes.
- 2015 – 9.3% or \$202K decrease from 2014.
- State of ND February 2016 Revised Revenue Forecast – State Aid Distributions to counties and cities are estimated to be 26.0% less than State's May 2015 Forecast for State's 2015-2017 biennium.
 - Mainly due to declining State sales tax collections, a large portion of which is tied to energy production in the western part of the state.
- 2016 1st Quarter – 28.0% decrease or \$150K

- State of ND next Revenue Forecast – scheduled to be released during July or August 2016.

Highway Tax Distribution

- State of ND collections consisting of motor vehicle registration and related fees, fuels taxes, special fuels taxes, use taxes, and special fuels excise taxes.
- 2015 – 7.0% or \$92K decrease from 2014.
 - Mainly due to declining State sales tax collections, a large portion of which is tied to energy production in the western part of the state.
- 2016 1st Quarter – 17.3% decrease or \$54K

1% City Sales Taxes

- 2015 – 45.9% or \$782K increase from 2011.
- 2015 – 7.1% or \$188K decrease from 2014.
- 2016 1st Quarter – 9.8% decrease or \$55K
- Business Development and Communications Director Huber offered comments about increases and decreases in taxable sales and purchases for certain industry sectors in the local area.

Dedication of 1% City Sales Tax (Mandan Code of Ordinances – Section 22-2-7)

- April 1991 to 2015:
 - Property Tax Reduction – \$15M
 - 50% to General Fund – established by Budget Policy.
 - Municipal Debt Reduction – \$2.3M
 - Street, Water and Sewer Improvements – \$8.2M
 - Job and Economic Development – \$8M
 - Total – \$33.5M

1% Restaurant and Lodging Taxes

- 2015 – 31.4% or \$100K increase from 2011.
- 2015 – 3.0% or \$12K increase from 2014.
- 2016 1st Quarter – 22.1% increase or \$19K

Water and Sewer Utility Charges for Services

- 2015 – \$500K more than projected.
- Accounts/Units – 4.4% increase.
- Water Volume – 6.3% increase.
- Wastewater Volume – 7.4% increase.
- Water Meter Replacement Project
- Base Rate increase:
 - High Service Pump Optimization Phase I Project = \$3.2M
 - Cost share funding with ND State Water Commission.
 - City's estimated share = \$1.35M
 - \$0.90/month/residential account.

Solid Waste Utility Charges for Services

- 2015 – \$100K more than projected.
- Increase in accounts.
- Landfill – \$77K more than projected.
- Base Rate increase:
 - Dakota Sanitation Recycling Services Agreement – \$0.15 (\$5.50 to \$5.65) increase in Residential Base Rate for 2017 Budget.

Solid Waste Utility Service Contracts

- Solid Waste Collection Services Agreement with Armstrong Sanitation & Roll-Offs expires on October 31, 2017.
- Solid Waste Hauling Services Agreement with Armstrong Sanitation & Roll-Offs expires on October 31, 2017.

Street Light Utility Charges for Services

- 2015 – \$14K more than projected.
- Increase in accounts.

Utility Bill

- 2016 City monthly utility bill for a residential home using 800 cubic feet or 8 units of water:
 - Mandan = \$82.95
 - Bismarck = \$82.60

City Taxable Valuation

- 2015 Residential – 48.9% increase since 2011.
- 2015 Commercial – 69.5% increase since 2011.
- 2015 Total – 52.4 % increase since 2011.
- 2016 – to be determined on June 9.

Board of Equalization

- City – April 19
- County – June 9
 - City Taxable Valuation estimated for 2016 Mill Levy and 2017 Budget.
- State – August 9

City Mill Levy

- Mills:
 - 1 Mill – equal to one/one thousandth of Taxable Valuation.
 - 2015 – 31.05 Mills or 31.8% decrease since 2011.
 - 2016 – to be determined on August 16.
- City share of 1 Mill:
 - 24% to 25% last 5 years.
 - City share of \$1 Property Taxes – \$0.24
 - 2016 – to be determined during 4th Quarter.

Value of 1 Mill

- Value of 1 Mill – equal to one/one thousandth of Taxable Valuation.
- 2015 – 52.4 % or \$23K increase since 2011.
- 2016 – to be determined on June 9.

City Property Taxes

- 2015 General Fund – 4.0% or \$138K decrease since 2011.
- 2015 Total – 3.9% or \$173K increase since 2011.
- 2016 – to be determined on August 16.
- Remove two year \$75,000 property tax exemption for new residential construction?
 - City share:
 - Per \$75,000 exemption (based on 2015 Mill Levy) = \$225/year
 - All 204 \$75,000 exemptions (based on 2015 Mill Levy) = \$45,895/year
 - All Taxing Entities:
 - Per \$75,000 exemption (based on 2015 Mill Levy) = \$944/year
 - All 204 \$75,000 exemptions (based on 2015 Mill Levy) = \$192,608/year

Property Taxes

- 2015 City property taxes for an existing residential property valued at \$250,000, excluding special assessments:
 - Mandan = \$750
 - Bismarck = \$665
 - 2011 – Mandan \$210 higher than Bismarck.

Salaries

- No employee market or performance adjustments.
 - Mandan currently follows City of Bismarck 2015 salary ranges at 95%, effective July 1, 2013.
- No employee Classification and Compensation Study.
 - Last Study was completed by Condrey & Associates in January 2008.
- March 2016 Consumer Price Index-W (Midwest Urban cities less than 50,000) = 0.8% increase during last 12 months.
- 2016 Budget – \$6.9M (base)
- 2017 Budget – No employee market or performance adjustments.

Benefits

- Health Insurance (NDPERS) monthly premiums are fixed until June 30, 2017.
 - Cost = \$1.3M
 - July 2015 – 15.1% increase

- Proposals:
 - Sanford Health presented Proposal in July 2015.
 - Eide Bailly completed an Employer Health Reform Analysis in October 2015 and presented Proposal in November 2015.
 - Blue Cross Blue Shield presented Proposal in December 2015.
 - High Deductible Plans and Health Savings Accounts?
 - Premium costs were similar to what we currently pay. Savings may be realized if went to a High Deductible Plan, but would then want to add a Health Saving Accounts provision, which may negate any monetary savings.

Operations and Maintenance

- 2015 Operations and Maintenance savings:
 - Gas and Fuel = \$208K
 - Utilities = \$141K
- Operations and Maintenance savings options:
 - Evaluate costs such as travel & meals, supplies, subscriptions, clothing allowances, etc....
 - Consider joint purchase agreements with departments and other governmental agencies.
 - Establish Employee Recognition Program to generate cost-saving ideas.
 - This program is designed to stimulate employees to review work procedures, submit suggestions for improvements and to recognize and monetarily reward employees who submit suggestions which result in more efficient and more economical operations. These suggestions, if adopted, must result in measurable monetary savings for the City.
- March 2016 Consumer Price Index-U (Midwest Urban cities less than 50,000) = 1.0% increase during last 12 months.

Capital Outlay

- Continue lease-purchase agreements for machinery and equipment purchases.
 - Improves cash flow by spreading cost over asset life for machinery and equipment.
- Extend useful life of machinery and equipment.
 - Preventative maintenance.
- Defer or delay capital projects.
 - Repair vs. replace.

Debt Service

- Continue to refinance bonds at lower interest rates.
- Maintain A1 Bond Rating (Moody's Investors Service)
 - Upper-medium grade and low credit risk.

General Fund Balance (December 31)

- 17% Minimum Reserve – Government Finance Officers Association recommended Best Practice.

- 2015 Actual:
 - Reserved – \$1.8M or 17% of operating expenditures.
 - Unreserved – \$3.2M or 31% of operating expenditures.
 - Total – \$5M or 48% of operating expenditures.
 - Net savings – \$531K
- 2016 Budget (Revised):
 - Reserved – \$1.8M or 17% of operating expenditures.
 - Unreserved – \$1.7M or 16% of operating expenditures.
 - Total – \$3.5M or 33% of operating expenditures.

General Fund 2016 Budget (Original vs. Revised)

- Revenues:
 - \$863K decrease:
 - State Aid Distribution = \$687K
 - 25% to 30% decrease.
 - Highway Tax Distribution = \$251K
 - 25% to 30% decrease.
 - Street Department
- Expenditures:
 - \$174K decrease:
 - Mandan Park District = \$206K
 - State Aid Distribution (30%)
- Fund Balance:
 - \$689K decrease:
 - Offset by \$531K net savings from 2015.

Department Requests (2017 – 2019)

- Personnel
- Capital Outlay
- Construction Projects

Summary

- State Aid Distribution and Highway Tax Distribution estimated to decrease 25% to 30% during 2016.
- General Fund Balance is estimated to decrease \$689K during 2016. The decrease is offset by \$531K net savings from 2015.
- 2016 Budget projections to be reviewed and updated as of:
 - March 31
 - June 30
 - July/August – State of ND next revenue forecast.
 - Further revenue decreases?

Recommendations

- Remove two year \$75,000 property tax exemption for new residential construction.
- Limit growth in property tax revenue to new construction and expired exemptions added to tax rolls as determined by County Board of Equalization.
- Re-evaluate vacant or unfilled positions in General Fund based on need (essential vs. non-essential).
- No additional personnel in General Fund unless offset by new departmental revenue.
- Departments should review and reduce overtime by restructuring employee working hours.
- Continue to evaluate and review health insurance options.
- Increase vacation leave carryover from 120 hours to 240 hours.
- Departments should consider cost-saving options for operations and maintenance expenditures.
- Departments should review and update fees and charges.
- Utility rates will be reviewed during August 2016.
- Maintain the following General Fund Balances:
 - Reserved = 17% of operating expenditures.
 - Unreserved = 8% (no less than) of operating expenditures.
 - Total = 25% (no less than) of operating expenditures.

Commissioner Tibke thought one thing to consider is with the increase in values not reducing mills anymore; how sustainable will that be with the understanding that we are trying to be competitive by reducing mills. We don't have a sales base to buffer our increase with our infrastructure costs and increased population. We have pushed back on Wastewater Treatment projects in addition to the police and fire department budget issues. She suggested doing less with more.

Mayor Van Beek indicated that overtime is one of our most controllable expenses. If we can go with emergency only overtime to help out where we can, that would cut down on the bottom line. Finance Director Welch stated that approximately \$316,000 was paid out in overtime citywide with about 70% of that being non-holiday related hours. Welch suggested departments to review the services they provide, not to eliminate the core or essential services nor the quality, but to possibly restructure their department's employee hours accordingly so there is less idle time and more efficiency.

Commissioner Rohr commented on the reactive response of the employees vs. the proactive response, with management efficiency put in there as well. With one major winter with a lot of snow, the overtime budget would be blown. Being proactive by being prepared for such an incidence would help in the long run. Administrator Neubauer mentioned savings in overtime might be realized since the Police Department is almost fully staffed. Finance Director Welch stated that approximately one-half or 50% of the overtime citywide is in the Police Department since the Department was understaffed resulting from vacant positions for many years. Police Chief Ziegler explained some of the other unforeseeable expenses such as court costs, travel to pick up prisoners, or

homicides cases, etc. Administrator Neubauer stated that 2016 might be OK due to the savings from 2015 that we have carried over to 2016 which should help with the loss of some State Aid and Highway Tax money. But 2017 will be a challenge.

Commissioner Tibke questioned whether reducing the amount of State Aid that was shared with the Park District was included in the budget recommendations in the PowerPoint presentation? Finance Director Welch said that it wasn't since the recommendations presented are not all inclusive at this time but Welch said that it would be added to the list for the next Joint Board discussion between the City and Park District. Commissioner Tibke mentioned that even a 5% reduction which would be approximately \$100,000, would help. Removing the two-year \$75,000 property tax exemption for new residential construction would help. Commissioner Laber brought up the savings from 2015 and how she would like it to go towards a pool of money for merit increases for employees, especially for employees that have budget cutting ideas. Commissioner Tibke mentioned an employee recognition program. Finance Director Welch reminded the Board that the City added additional employees during the past five years in order to keep up with the demand for public services.

ADJOURN

There being no further actions to come before the Board Commissioner Tibke moved and Commissioner Laber seconded to adjourn at 7:00 p.m. The motion received unanimous approval of the Board members present and the meeting adjourned.

/s/ James Neubauer

James Neubauer,
City Administrator

/s/ Arlyn Van Beek

Arlyn Van Beek
President, Board of City
Commissioners