



The City Council of the City of St. Charles welcomes you to a Work Session on Tuesday, October 24, 2023 at 6:05 p.m. at 830 Whitewater Avenue, City Council Chambers, St. Charles, MN.

ITEM	ACTION REQUESTED
1. Call to Order	
2. October 24, 2023 – Agenda	
3. 2024 Budget	DISCUSSION
a. Ambulance Budget = \$220,000 (12.02)	
b. Capital Improvement Fund = \$300,000 (8.74%)	
c. Health Insurance	
d. Earned Sick & Safe Time = \$3,750 (0.21%)	
e. Pool Rates / Days	
f. Rental Rates	
g. Building Permits	
h. Levy Changes & Rationale	

ADJOURNMENT



**MEMORANDUM for the CITY COUNCIL of St. Charles for
Tuesday, October 24, 2023**

3. 2024 Budget.

- a. Ambulance Budget = \$220,000 (12.02%)** – The City of Lewiston intends on giving the go ahead to begin the hiring process for a FT EMT that would be stationed at the St. Charles EMS building beginning in 2024. Our portion of the expenses for this employee has been negotiated and made part of our preliminary levy. I will work with Lewiston to post the position after their October 25, 2023 council meeting. There is no wiggle room from the preliminary levy as it pertains to the ambulance, if the council has any reservations about this amount, they must be addressed at this work session as there are many moving parts already in motion.
- b. Capital Improvement Fund - \$300,000 (8.74%)** – As previously mentioned in a memo to the council. I'm proposing raising the CIP to \$300,000 for 2024, up from \$140,000 in 2023. The average levy from 2017-2022 was \$269,681. The enclosed Master Projects List identifies \$438,187 in expenditures for the General Fund for 2024. In the short term (3-5 years), the city has an adequate list to anticipate upcoming expenses. Beyond the 5 year timeframe the plan lacks the detail to properly project the levy necessary to sustain the fund. From the materials Mr. Bubany was given, he developed a CIP levy structure that projects the average expenditures between 2022-2026 at \$231,955. However, the list only displays average annual expenditures of \$121,200 between 2027 – 2031. This is a difference of over \$110,000 annually. My Bubany is only able to operate with the information that was provided to him. I have provided Mr. Bubany with the assumption that the city will average \$250,000 in expenditure per year beyond the 5 year mark. I believe this assumption will improve the accuracy of what needs to be levied moving forward. However, if we've learned anything from the past few years, it is that circumstances change, and we must adapt. Mr. Bubany will be giving a presentation to the council in November.
- c. Health Insurance** – The city received information regarding the health insurance premium increase. The average increase between the two plans is 8.96%. While the preliminary budget accounted for more than this, it is still unknown what the final cost will be for the city. A meeting with employees is scheduled for Tuesday, November 7th. From there employees will elect a plan and add/remove dependents.

- d. **Earned Sick & Safe Time (ESST) = \$3,750 (0.21%)** – During the most recent legislative session, a new law was approved which requires that employers grant employees accrual of earned sick and safe time. The only change that needs to occur for fulltime and permanent parttime employees is a policy update to expand what they are able to use their sick time for. However, we will now have temporary/seasonal and continuous parttime employees that will accrue ESST. Once an employee works 80 hours in a calendar year, they will earn 1 hour of ESST for every 30 hours worked. This will impact the pool, recreation, summer maintenance, library, and custodial staff. Most cities are still trying to figure out how this will be handled moving forward. My suggestion would be to make two policies.

The first policy would cover the temporary/seasonal employees, including pool, recreation, and summer maintenance staff. Employees in this category would be paid out their unused ESST at the end of each calendar year. Overall, this would cost the increase pool expenses by approximately \$3,375 and park & rec expenses by \$375. My rationale for paying this out would be to help ensure that the pool remains open for the full season and prevent a handful of employees using their ESST and forcing us to close the pool.

The second policy would cover continuous parttime employees, including custodians and library assistants that work fewer than 25 hours per week on average. Employees under this category would accrue ESST at the same rate as temporary/seasonal employees, however, their unused accrual will carryover (max annual accrual is 48 hours) to the following year. The maximum number of banked hours would be 80. Unlike the temporary/seasonal employees, continuous parttime employees would not be paid their accrued ESST out at the end of their employment with the city.

Lastly, if an employee works as a lifeguard and as a library assistant, they will accrue ESST at the regular rate, but they would be considered a continuous parttime employee and would adhere to that policy.

- e. **Pool Rates & Days** – Attached you will find proposed rate changes for the pool. In total, revenue would increase by \$9,000. If these rates are approved, St. Charles would be towards the higher end of rates for surrounding communities. This means we likely wouldn't adjust rates for another 3-5 years. I would also like to know if the council would be interested in increasing the pay for pool employees to 1 ½ times the normal hourly rate for July 3, 4, 5th to incentivize staff to work those days and keep the pool open? The total increased cost would be roughly \$1,323.60 (0.07% levy).
- f. **Rental Rates** – Attached is a spreadsheet of proposed rate changes. Overall, the most significant changes will be for the pool (\$9,000) and park pavilion and community center rentals (\$2,500). Other areas such as dance permits, city day and equipment labor, and zoning request occur infrequently, meaning there isn't a significant change in revenue the city would receive. There will likely be other rate adjustments for enterprise funds, but those haven't been determined at this time.

- g. Building Permit Fees** – The building inspection firm (CMS) that the city has been affiliated with for many years was purchased by WSE at the beginning of 2023. I wanted to put this on the council’s radar since WSE will be adjusting rates in 2024. The initial rate letter that was sent to me was extraordinarily high and I’ve expressed my concerns with the owner. I will continue to work with WSE; however, the city may need to seek a new building inspector or discuss partnering with other organizations about splitting the cost for a building inspector. Either way, building permit rates will very likely see a substantial increase in 2024 since they haven’t been adjusted for many years. These will be presented at a later date.

- h. Levy Changes & Rationale** – Attached you will find a spreadsheet and an explanation for the proposed changes, where we’re trying to save money, and what is planned for the future.

Exhibit B: Capital Improvement Fund - Master Projects List

CITY OF ST. CHARLES			Already in Process
Capital Improvement Schedule			Annual Amounts
2024			
Department	Description	Amount	Notes
Admin	SEMCAC bus	\$ 36,000	Ordered, to be rec'd in 2024
	City Car	\$ 30,000	Rec'd Quote
Parks	Aquatic center - water slide	\$ 100,000	2022 Quote/Awaiting New Quote
	Whitewater Stream	\$ 50,000	Applied for DNR Grant
Street	Seal Coating	\$ 20,000	Annual Expenditure
	Plow Truck Lease (6/6)	\$ 36,137	Existing Payment
	11th street bridge/widening	\$ 120,000	Awaiting Response from MnDOT
Sidewalks	Annual Improvements	\$ 10,000	Annual Expenditure
Police	Squad Lease	\$ 36,050	Existing Payment
	Total	\$ 438,187	

Exhibit E & F

2024 Proposed Rate Adjustments					
	2023	2024	Change		Estimated Revenue
Pool					
Daily - Adult	\$ 5.00	\$ 5.00	\$ -		Pool = \$9,000
Daily - Youth	\$ 4.00	\$ 5.00	\$ 1.00		
Punch Cards (20 Admissions)	\$ 60.00	\$ 75.00	\$ 15.00		
Single	\$ 70.00	\$ 85.00	\$ 15.00		
Family	\$ 160.00	\$ 190.00	\$ 30.00		
Per Person Over 6 in Family	\$ -	\$ 20.00	\$ 20.00		
Rental					
25 or Fewer	\$ 150.00	\$ 175.00	\$ 25.00		
26-50	\$ 200.00	\$ 225.00	\$ 25.00		
51-75	\$ 250.00	\$ 275.00	\$ 25.00		
76+	\$ 300.00	\$ 325.00	\$ 25.00		
	2023	2024	Change		
Rentals					
Park Pavillion	\$ 25.00	\$ 30.00	\$ 5.00	5 hr block	Park = \$500
Community Center					
Regular	\$ 20.00	\$ 25.00	\$ 5.00	Per hour	Comm Center = \$2,000
Non-profit	\$ 15.00	\$ 20.00	\$ 5.00	Per hour	
Church Property					
Regular	\$ 50.00	\$ 60.00	\$ 10.00	Per Hour (3 Hr minimum)	New Rental
3 hr minimum	\$ 150.00	\$ 180.00	\$ 30.00	Base rate	
	2023	2024	Change		
CUP, Home Occupation, Varance, Zoning Amendment	\$ 50.00	\$ 250.00	\$ 90-105		Infrequent Possible = \$100 - \$400
Published Legal Notice	\$ 50.00				
0-10 Mailed Area Notices	\$ 45.00				
11-20 Mailed Area Notices	\$ 50.00				
21-30 Mailed Area Notices	\$ 55.00				
Excess Mailed Area Notices	\$ 60.00				
City Day Labor & Equip					
Per Person (Workday)	\$ 50.00	\$ 60.00	\$ 10.00		Infrequently Used No budget change
Per Person (Night/Weekend)	\$ 75.00	\$ 90.00	\$ 25.00		
Dance Permit Fees					
Officer (4 hours)	\$ 100.00	\$ 200.00	\$ 100.00	Per Officer	Infrequently Used No budget change
Additonal Officer Hours	\$ 25.00	\$ 50.00	\$ 25.00	Each additional hour	

Exhibit H. Levy Changes & Rationale

		2023 Final	2024 Preliminary	October 24th	% Levy Change	\$\$\$ Levy Change
1	Ambulance	\$ -	\$ 220,000.00	\$ 220,000.00	12.02%	\$ 220,000.00
2	CIP	\$ 140,000.00	\$ 300,000.00	\$ 300,000.00	8.74%	\$ 160,000.00
3	Fire	\$ 75,300.00	\$ 103,900.00	\$ 103,900.00	1.56%	\$ 28,600.00
4	Library	\$ 194,940.00	\$ 205,550.00	\$ 202,647.00	0.42%	\$ 7,707.00
5	Debt Service 2019A	\$ 73,956.00	\$ 77,153.00	\$ 77,153.00	0.17%	\$ 3,197.00
6	Debt Service 2021B	\$ 79,081.00	\$ 81,692.00	\$ 81,692.00	0.14%	\$ 2,611.00
7	Celebration	\$ 7,000.00	\$ 9,600.00	\$ 9,100.00	0.11%	\$ 2,100.00
8	Advertising	\$ 17,500.00	\$ 19,000.00	\$ 19,000.00	0.08%	\$ 1,500.00
9	Debt Service 2018A	\$ 81,165.00	\$ 79,118.00	\$ 79,118.00	-0.11%	\$ (2,047.00)
10	Debt Service 2021A	\$ 502,914.00	\$ 498,714.00	\$ 498,714.00	-0.23%	\$ (4,200.00)
11	Debt Service 2022A	\$ 29,666.00	\$ 25,000.00	\$ 25,000.00	-0.25%	\$ (4,666.00)
12	General Fund	\$ 628,820.00	\$ 627,672.00	\$ 599,072.00	-1.63%	\$ (29,748.00)
13						
14	Total Levy	\$ 1,830,342.00	\$ 2,247,399.00	\$ 2,215,396.00	21.04%	\$ 385,054.00
15	\$\$\$ Levy Change		\$ 417,057.00	\$ 385,054.00		
16	% Levy		22.79%	21.04%	-1.75%	
17						
18	1% Levy = \$18,303.42					

Ambulance – Line 1 – The council is aware of the plan to hire a FT EMT for 2024 to be stationed out of the SC EMS building. Future plans include reaching the staffing thresholds established by the EMSRB, reclaiming the BLS license, and hiring a FT Ambulance Director. Additionally, I will be meeting with cities and townships in our Primary Service Area and begin discussing plans for future charges, such as a per capita fee and be in contact with Olmstead County Dispatch to update them on our progress.

CIP – Line 2 – I’ve addressed this topic to the council a few times already. Ultimately, we need to ensure this fund stays healthy to ensure we’re able to replace equipment and cash flow smaller projects to avoid incurring bonding expenses and interest unnecessarily. I will continue to work with each department to add detail to the Master Project List.

Fire – Line 3 – There are two reasons for the proposed levy increase is 1.56%. First, is an agreed upon increase from \$25,000 to \$30,000 by the council to fund the truck replacement schedule. Future amounts increase from \$30,000 to \$75,000 for 2025 (roughly a 2% levy), and \$75,000 - \$100,000 (1% levy) in 2026, holding steady thereafter. The remaining increase is to balance the budget. For years the Fire Relief Association has made a sizable donation from their gambling proceeds to fund equipment and truck purchases. However, when the FD would go over budget, a portion of that donation was reallocated to make up the difference. This wasn’t the intent of the donation, and it doesn’t sit well with some members. To rectify this, Chief Carlson, First Assistant Chief Schossow, and I met and adjusted the budget based off actual expenditures from previous years. We believe the proposed adjustment better represents the cost of operating the service for the City of St. Charles.

Library – Line 4 – The Library budget is seeing a proposed increase for books, periodicals, and audio visual items for the first time in more than a decade. The overall increase is 10% (\$1,600), which translates to a 0.09% citywide levy increase. Director Veerkamp and I agreed that any boost to the programming budget in 2024 would stem from donations or fundraising efforts by the Library Board. I have enclosed an infographic from Director Veerkamp that shows the budgeted amount of these items by St. Charles and nearby public libraries. Circulation and attendance at the Library have been improving consistently over the last year’s numbers. In the future, Director Veerkamp and I will address the Winona County Board to discuss increasing their library aid contribution, a number that also hasn’t changed in more than a decade.

Debt Service – Lines 5, 6, 9, 10, 11 – These funds will vary year to year slightly. It is important to note that the next bond to expire doesn't occur till 2029. Any new bond that is implemented prior to that date will be funded by raising taxes or increasing utility rates.

Celebration – Line 7 – Proposed increase in the levy of \$2,100. This adjustment is to compensate for the volatility in donations received year to year. I'm taking a more conservative approach for several revenue streams to help avoid running a deficit in multiple funds, which has deteriorated the health of our unassigned fund balance.

Advertising – Line 8 – The Advertising Fund levy increased by \$1,500. Trends indicate that donations for advertising are unreliable and recommended not to assumed by budgeting. The last advertising donation was received in 2019.

General Fund – Line 12 – The proposed General Fund levy is projected to be reduced by 1.63%. Overall, there are relatively few changes made from the preliminary levy at this point. Rate adjustments for the pool and rentals make up a portion, while revenue from police state aid makes up the rest. We are still waiting on a few numbers to solidify the General Fund, but I'm not anticipating any large changes prior to use setting the final levy in December.

At the risk of sounding like a broken record, I've included a portion of a previous budget memo below.

Statement from the August 22, 2023 budget memo:

Two additional pieces of information the council should consider are a statement from a memo provided to the council last year from Melissa and a specific point that our auditors made this year during their presentation.






First, Melissa made the following statement *"We have tried for many years to shift dollars from one expenditure line to another in order to keep from increasing budgets. Unfortunately, with the trends we are seeing that wasn't a sound option looking at the 2023 budget."*

Second, the auditors shared that it is city policy that our unassigned fund balance remain between 35 – 50%. At the end of fiscal year 2022, St. Charles had an unassigned fund balance of 39%. The auditors mentioned we should keep an eye on this number since the fund balance has deteriorated from the 54% mark that was held in 2016.

I recommend that the Council take these two statements into consideration when determining not only the 2024 budget, but for years to come. Ultimately, we're all looking to ensure that St. Charles remains an attractive place for current and potential residents and businesses. While a significant component of that is the overall tax rate, there are many other factors that come into play, such as services offered, facilities, emergency services, and creating a sense of place.

The reality of the situation is that the levy amounts for the Ambulance (12.02%), CIP (8.74%), and Fire Department (1.56%) alone equate to a 22.32% increase. If those areas were excluded, we would be looking at a relatively stationary budget. While it did help that the city will be receiving additional funding via Local Government Aid and Small Cities Assistance, it was not enough to cover all of the holes in the budget. I'm choosing to view this large levy adjustment as an opportunity for the city to get back on track. The city council is providing the necessary support to give the city its best chance of reclaiming the ambulance service and ensuring that the necessary funds are set aside to continue to make improvements throughout the community.

Materials and Programming Budget Comparisons

Budget Line Items for 2023	St. Charles Public Library	Chatfield Public Library	Plainview Public Library
 Books	\$11,000	\$12,000	\$24,320
 Audio Visual (DVDs & Audiobooks)	\$3,000	\$6,000	\$4,800
 Periodicals (Magazine & Newspaper Subscriptions)	\$2,000	\$1,000	\$1,280
 Programming	\$1,000	\$3,300	\$1,500
 Total	\$17,000	\$22,300	\$31,900

