

Finance Director Kent Costin said sales tax revenue is projected to be up 10 percent; however, there was a decrease in health grant revenues. Expenditure changes, he said, include reduced Inspections Department and Information Services capital outlay, remove street rehabilitation, decrease health grant expenditures, add baseball stadium repairs, Economic Development Corporation funding, a transit maintenance attendant, position evaluation committee market pay, Police Department step 13 pay and a competitive market wage adjustment on July 1, 2017.

In response to a question from Commissioner Grindberg about the fund balance being around \$30 million, Mr. Costin said there was some use of the fund balance in 2016 and 2017; however, the largest transfer is out of the revenue stabilization fund, \$1.2 million, the rest is out of the general fund. He said the general fund balance is strong, with a year-end projection of \$30.8 million which is about 32 percent of the general fund expenditures, with a long-standing practice of maintaining a 25 percent fund balance.

In response to a question from Commissioner Piepkorn regarding the competitive wage adjustment and whether or not that was included in the budget and if there is a second one planned or will that be next year, Mayor Mahoney said the Commission approved a 2 percent in June and that will go until the end of June 2017. Then an additional 2 percent will be given in July of 2017, he said and then going forward it will be included in the budget discussions being dispersed in January instead of July.

In response to a question from Commissioner Strand about the \$34,092,979.00 ending balance after 2017, Mr. Costin said to have a \$34 million ending balance after 2017 some of that is in regard to the methodology of putting schedules together. He said there are two subsets that make up this fund balance, the revenue stabilization fund, which is currently about \$3.2 million, and the general fund balance that makes up the difference. He said money is being pulled out of both of those funds in 2017 to balance out the budget. He said the balance is reflective of what the balance would be for the general fund balance plus what is left in the revenue stabilization fund. He said for reporting and budgeting purposes there are two components, there is the reserve and the rainy day and when rolled together equal \$34 million.

Commissioner Gehrig said there is a lot to like in this budget and he agrees with using the fund as those are tax dollars that should be used for the taxpayer. He said he thinks having a larger than needed reserve sends a wrong message to residents and the state when they look at funding for the City. After a second look, he said, he asked for some reductions and is glad the City is taking care of priorities and obligations; however, he is concerned about the amount of the property tax increase. He said he would have liked to have seen a three mill reduction, which is doable, and is responsible and would still give a five percent increase in revenue from property taxes. He said there has been a 32 percent increase in property tax revenue over the last three years, which is dramatic and people feel that.

Commissioner Strand said he thinks there is a great level of constraint in the budget, the good news is tax rolls include new property, new commercial, the rest is residential, but citizens expect more services in public safety, public health, emergency preparedness and infrastructure. He said he is on board with the budget for expenditures and the Commissioners have done their due diligence, but there is

one portfolio the Commissioners all carry and that is the people they serve. He said it is his sense from the people that there is a hope for as much relief as the Commissioners can provide. He said he is concerned as the state goes into another legislative session, there will be significant scrutiny to budget reserves across the state.

Commissioner Strand moved the mill levy be reduced by three mills, further drawing down the projected 2017 year-end balance to \$33,627,979.00 from \$34,092,979.00.

Second by Gehrig.

Mayor Mahoney said public schools are dropping 12 mills, the county is dropping 4 mills, the park district is dropping .9 mills and the City is at 2, which is almost an 18 mill levy reduction. He said no one can project what will happen in the next year and he is very concerned about that. He said this budget is not without great thought and diligence and includes a two mill reduction.

Commissioner Gehrig said the cuts do not all have to come from the reserve fund. He said he sees some other things in the budget he would support removing.

Commissioner Grindberg said he will resist the motion; however, he appreciates Commissioner Strand's intent, and getting a full handle on the budget has been a rapid course in micro budgeting. He said he is used to much broader budgeting at the state level and is reluctant to dip too far into the reserve without knowing the future. He said the more the City grows, the more tax revenue is generated and any healthy city has a reserve fund. He said oil prices are not coming back at a high level any time soon, the budget is fair and balanced and moving forward, having much more time to look into it and see what the Legislature does makes good sense. He said he is pleased that strides have been made in public safety and being able to address that head on is a priority for him.

On call of the roll Commissioners Strand and Gehrig voted aye.

Commissioners Piepkorn, Grindberg and Mahoney voted nay.

The motion died for a lack of a majority.

Mayor Mahoney called for a motion to approve the Mayor's 2017 Preliminary Budget and set the public hearing date for September 26, 2016 at 6:00 pm.

Commissioner Piepkorn moved approval.

Second by Grindberg. On call of the roll Commissioners Piepkorn, Grindberg, Strand, Gehrig and Mahoney voted aye.

No Commissioner being absent and none voting nay, the motion was declared carried.

Commissioner Piepkorn moved that the Board adjourn.

Second by Grindberg. All the Commissioners voted aye and the motion was declared carried.

The time at adjournment was 5:56 o'clock p.m.