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MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: JOSHUA TETZLAFF, CITY ADMINISTRATOR

SUBJECT: 2026 BUDGET MEETING (#3)

DATE: OCTOBER 1, 2025

As we move into the third budget meeting of the year, I'd like to focus this meeting on trying to lock in some of the items on the budget, hopefully reducing or even eliminating future general fund budget discussions. To this point, whether through agenda items or items brought up by the Council, most of the budget talking points have either been discussed in varying detail or at least brushed upon.

1. Health Insurance
    a. At last week's special meeting, I shared my recommendation that the City Council should opt to renew the existing health insurance plan used by City employees in 2025. As I shared, this plan would have a 16.9% increase over premiums in 2025 and would also have an automatic deductible increase of $100 for single coverage and $200 for family coverage. Even with these increases, it is my opinion that the minimal savings realized by drastically increasing deductibles and out-of-pocket costs does not make changing the plans a good option for the majority of employees.

    I recommend renewing the 2025 Health Insurance Plan for 2026.

2. Compensation Study/Plan
    a. Also at last week's special meeting, AutoSolve presented a summary of their findings and recommendations for City employee compensation starting January 1, 2026. As a very brief summary, the recommendation by AutoSolve adjusts the minimum levels of pay for each position to the market average of the cities that we studied, maintained the increases between steps within positions, and added four additional steps on top of the existing pay matrix to allow for growth at the top for those employees with high levels of experience and performance.

    To implement this new pay matrix, AutoSolve recommended a method it called "Bring to New Minimum or increase 3.3%." Under this implementation method, all employees would receive a 3.3% increase and then be placed at the nearest step for their position, without lowering their wage. It was shared that the total implementation costs of this recommendation would be $207,173 for full-time employees across all funds. Within the 2026 budget, a 4% COLA to the existing payplan was used and additional budget funds were preliminarily placed in the Discretionary line-item to prepare for the Compensation recommendation. With that funding, to fully implement a recommended Compensation plan, the City would need to find about $5,000 additional savings in the preliminary budget last reviewed in September.

It is my recommendation that the City proceed with the Compensation plan recommended by AutoSolve to continue having a competitive pay structure for City employees and to allow the budget discussions to advance. This recommended implementation has been included in your budget packet.

b. Within the Compensation Plan, there are a few changes to titles, a position change, and a couple positions added that are not planned to be used at this time but would be available for future use should they be needed.

First, there are a few changes to titles.

i. The Community Development and Planning Director's title within this Compensation Study would change to <u>Community Development Director</u>. This title is far more common, since Community Development generally encompasses Planning as a sub-division. This would shorten the title to a more commonly used title.

ii. The second title change would change Accounting Technician to <u>Accountant I</u>. Prior to this study being done, the City has already removed the term Technician from Utility Billing and Permitting. This update has come as job seekers seem more satisfied not having the term Technician or Clerk in their title.

iii. The third title change would change the title of Water Operator to <u>Water Operator I</u>. This change comes about to begin setting up a structure for potential growth in the future of the department, matching the Wastewater Department who has a Wastewater Operator I and Wastewater Operator II.

iv. The title of Customer Service/Acct'G will be changed to <u>Administrative Assistant</u>. This title has been around for a long time, though the person who carries this title does the same work as an Administrative Assistant. The Administrative Assistant title already exists, so this would be eliminating the Customer Service/Acct'G job title.

v. The title Parks Supervisor/Maint will be changed to <u>Parks Supervisor</u>. Similar to the others, this will be done to simplify the job title.

Second, the Compensation Plan would include a position change. When I first started with the City there was an Administrative Coordinator position with the Finance Department. This position turned over twice in my first few years, and after reviewing the position and the work being done, I determined that the work being performed by the position did not warrant the higher pay that was being awarded to it. So, the position was advertised as an Administrative Assistant and hired as such. The person that was hired, Alyssa Schapekahm, has performed far more than could be expected of an Administrative Assistant, including taking on many special projects not expected of a true Administrative Assistant. Over the last year, Ms. Shapekahm has performed exactly as I would have expected the Administrative Coordinator to perform.

Because of that, with the approval of the Compensation Plan, I am recommending that the City Council promote Ms. Shapekahm from Administrative Assistant to Administrative Coordinator to allow her to be compensated for the position she has more than filled over the last year, and that I would expect her to continue to fill going forward. This recommendation has been included in your budget packet.

Third, the Compensation Plan adds a couple positions that aren't intended to be filled in 2026, but would be available should the City chose to use them.

i. The first position addition would be <u>Accountant II</u>. This position would build off the title change from Accountant Technician to Accountant I and is included in the plan to advantage of plan adjustment and using AutoSolve to help create the position. In the future, this position would be someone with very high levels of experience that is able to operate generally independent of daily management. For this position to be filled, the City Council would have to approve either a promotion into the position or the hiring of someone into the position.

ii. The second position addition would be <u>Water Operator II</u>. Similar to Accountant II, mentioned above, and Wastewater Operator II, which exists already, this position has a higher level of expertise and is able to operate more independently than the similar Water Operator I position.

3. 2026 Park Board Budget
   a. At the last budget meeting, the City Council made note that it wanted to reduce the amount of the Park Board budget from the board recommended $110,000 spending for 2026 to under $50,000. At the September meeting, the Park Board did revise their recommendation for project spending in 2025 to be a total of $65,000, with $20,000 of that spending coming from the Park Equipment Fund and $45,000 from the General Fund.

      The projects the Park Board recommends advancing are:

      i. Installing concrete on the Hockey Rink at Sliding Hill Skate Park to be used for hockey during the winter and pickleball during the summer. This would cost an estimated $40,000, with the labor being performed by City staff.

      ii. Replacing the Memorial Park sign. This would cost an estimated $5,000.

      iii. Provide $20,000 of Park equipment funds to help with designing landscaping and play area in the City Center area as it develops.

      This change from recommending $110,000 in park improvements, funded by the General Fund, to $65,000 in park improvements, funded by both the General Fund ($45,000) and Park Equipment Fund ($20,000) has been included in your updated budget packet.

4. Budgeted Line Items Not Expected to be Expended in 2026
   a. At the previous budget meeting, a question was asked about budgeted line items that are not expected to be expended in 2026. There are a few items. These are:

      i. $100,000 in Government Buildings. This continues a practice started by the City Council a couple years ago to budget $100,000 annually to be set aside as reserve for future maintenance or replacement needs on City facilities. With an aging City Hall, as well as several buildings that need continued maintenance, this funding was to begin a practice of preparing for required maintenance and limit future levy fluctuations. I would expect this number will grow over time as maintenance needs continue.

      ii. $25,500 in Discretionary Expenses. Historically, the City has budgeted funds to this as a catch-all for unexpected spending the City may have to make.

iii. $50,000 in Tech Network. This line has been used over the last few years as the City has upgraded tech equipment around the City. For 2026, I expect to spend about $30,000 of this on equipment replacement. This would mean about $20,000 of this funding would be set aside specifically for future tech equipment, similar to how equipment is funded, to offset years of heavy spending. For example, we know that in four to five years, the City will need to replace the servers that were replaced this summer, and those replacements could be over $100,000 at that time.

Due to the importance of continuing to plan for the future, I would recommend keeping all of these line items in the budget for 2026.

5. Other Changes to the Budget Packet
   a. Ambulance Expenditures
   There has been discussion at the City Council meetings of why the City continues to carry an ambulance fund. With the completion of the police station next year, I would agree that a fund dedicated to an ambulance department is no longer needed. Because of that, ambulance expenditures and revenues have been moved to the General Fund in the updated budget packet. I would recommend keeping ambulance expenditures in their own line items, so that they are more easily tracked as long as the City provides space to an ambulance service provider.

   b. Golf Fund Transfer
   At the previous budget meeting, the City Council seemed to have consent to remove the golf transfer subsidy in its entirety from the 2026 budget. While this is ahead of schedule, it is what the City was working towards. The updated budget packet includes this change.

   c. Police Station Utilities
   Staff continues to work together to estimate utility usage in the new police station. Conservative estimates have been put into the proposed budget under the Police Department.

6. Projected 2026 Tax Levy
   a. With the above-mentioned changes and recommendations, the proposed 2026 levy has decreased from the Preliminary Levy set in September at $5,685,800, which was a 7% increase from the 2024 Final Tax Levy.

   The attached proposed 2025 Tax Levy is now at $5,623,735, which represents a 5.84% increase from the 2024 Final Tax Levy. Using Scott County's estimation tools, if the City Council approves this proposed levy, it would result in an Average Residential Tax Impact of 4.56% on the City-portion of residential taxes.