

City Council Minutes: November 14, 2009 (Budget)

CITY OF FULTON

COUNCIL BUDGET MEETING

NOVEMBER 14, 2009

8:30AM

Mayor Russell called the meeting to order and directed the clerk to call the roll. On roll call Mayor Larry Russell, Aldermen Charles Dykstra, Gene Field, Merle Sterenberg, Charlie Letcher, Warren Juist, Wes Letcher, Bill Loerop and Ron Roels answered present. Also in attendance were Randy Balk - City Administrator, Dan Clark - Public Works Director, Garry Medema - City Treasurer and Heather Bennett - Tourism Director.

Ald. Roels moved, seconded by Ald. W. Letcher to enter executive session to discuss personnel and pending litigation. Roll call vote/all yes/motion carried. The council entered executive session at 8:31am. Executive session minutes are recorded elsewhere.

The council returned to regular session at 8:50am.

Budget cuts of approximately \$30,000 have been implemented for the remaining months of the current fiscal year budget. There is a freeze on travel and training, the zoning officer has been laid off and several other expense line items will be reduced. There may be a salary freeze for the next fiscal year.

Three tax levy proposals were presented. Option A is the option with the lowest increase and would not require a public hearing prior to council approval. Option A would not levy 100% for tort insurance and would not levy for street lighting. Option B would levy 100% for tort insurance, no street lighting and would require a public hearing prior to council approval. Option C includes 100% levy for tort insurance and street lighting.

Ald. Loerop said the city may end up with a loss of \$197,420 due to high unemployment which means we will not receive the budgeted amount of state income tax this year.

Ald. Roels said this is the wrong time for a tax increase. He believes the way out of the deficit would be the sale of property and to use reserves to weather the storm.

Ald. Loerop and Dykstra expressed concern that if action is not taken this year, it will be too hard to recover.

The council discussed the possibility of assessing a Municipal Utility Tax of 5% on gas, electric and phone bills as a way to increase revenue. This revenue could be used for general fund relief or infrastructure maintenance. A utility tax is a "user tax" and people can conserve on utilities to keep their costs lower. Water usage is down in the city because many people are using more efficient devices to keep their usage lower. The water and sewer fund is separate from the general fund and the revenues and expenses must stay within that fund. The water and sewer fund is healthy at this time and there will not be an increase in fees this next fiscal year.

Garry Medema said he is in favor of an increase in property tax because people can deduct the expense on their tax return. He is in favor of replacing lost revenue and cost reduction, but not in favor of raising additional revenue for new projects. It may take 3 to 4 years for unemployment to recover.

Ald. Dykstra said he would be supportive of implementing a utility tax on electricity, gas and electric all at once. Ald. W. Letcher said it's not right to tax on everything at once. Ald. Juist, like Ald. Roels wants to wait and see before adding any tax. Mayor Russell said the city could be more self reliant with the addition of a utility tax by not having to rely on state money.

An informal vote was taken around the table to see what tax levy option and what utility tax each person would prefer. Ald. Dykstra - Option B and all 3 utilities taxed at once, Ald. Field - Option A and all utilities, Ald. Sterenberg - Option A and phase in utility tax, Ald. C. Letcher - Option B and phase in utility tax, Ald. Juist - Option A and phase in utility tax, Ald. W. Letcher - Option A and phase in utility tax, Ald. Loerop - Option B and phase in utility tax, Ald. Roels - Option A and possible phase in of utility tax, Mayor Russell - Option A and all utilities taxed and Garry Medema - Option B and phase in utility tax.

Ald. Roels moved, seconded by Ald. W. Letcher to have an ordinance prepared for Tax Levy Option A. Roll call vote/Ald. Roels, W. Letcher, Juist, C. Letcher, Sterenberg, Field and Dykstra voted yes/Ald. Loerop voted no/motion carried.

Ald. Dykstra moved, seconded by Ald. Field to add a 5% utility tax on gas, electric and phone bills effective January 1, 2010. Roll call vote/Ald. Sterenberg, Roles, Loerop, W. Letcher, C. Letcher and Juist voted no/Ald. Field and Dykstra voted yes/motion failed.

Ald. Loerop moved, seconded by Ald. W. Letcher to prepare an ordinance to add 5% utility tax to the electric bills effective January 1, 2010. Roll call vote/Ald. Dykstra, Field, W. Letcher, and Loerop voted yes/Ald. Sterenberg, C. Letcher, Juist and Roels voted no/Mayor Russell broke the tie with a yes/motion carried.

The meeting adjourned at 10:30am.

Minutes recorded by,

Linda Hollis

City Clerk