

Transcript for The City Speak Podcast Season 3, Episode 6, “Two Mayors Talk City Budgets”

[Podcast theme music begins]

Adriana Temali-Smith:

From the League of Minnesota Cities, this is City Speak. I'm your host, Adriana Temali-Smith. Listeners, it's that time of year — you know the time I mean [podcast theme music fades out], that time when you put away your summer gear and you get out your calculators. It's budget season. And this year, we know you were facing extra difficulty as you approach decisions on city spending and services. So today we are chatting to two relatively new mayors to hear how their cities are approaching this budget cycle, and what factors are impacting the decisions being made. First up, we're chatting to mayor Courtney Johnson from the city of Carver. [Podcast theme music plays briefly and fades out]

So, mayor Courtney, what drew you to city council and running for mayor in the city of Carver?

Courtney Johnson:

I moved to Carver 10 years ago, and part of the small town charm for me was the ability to get involved in my community. So, what that meant, and what that looked like 10 years ago, was volunteering on what was then known as the parks and rec commission. Um, I was also a volunteer on the Steamboat Days uh, volunteer committee. And then I was also, um, a member of our city's planning commission. And then from there, the long story short is that, um, starting on council and becoming mayor was just kinda part of that natural evolution.

Adriana Temali-Smith:

So, we're talking city finances and budgets today. Does this budget year feel different?

Courtney Johnson:

You know, everything about this year feels different, right? And as an elected leader and one of, you know, five individuals in the city of Carver who has the authority to make the decisions, as far as our, our budget goes, I think there are some unique pressures, realizing that there are probably some real significant, um, economic challenges that the members of our, our community are facing this year. So yeah — 2020 um, working towards the 2021 budget year — absolutely feels different.

Adriana Temali-Smith:

So, when did you guys start the budgeting process this year?

Courtney Johnson:

We had our kind of initial kickoff meeting, um, which was something that was presented by our city manager, Brent Merrick at our June 1st meeting.

Adriana Temali-Smith:

Okay, yeah.

Courtney Johnson:

You know, it's funny, I think anybody that you talk to about the budget process, it feels like you are always, always budgeting. You know, since then we've had a few little elements that are kind of laying the

groundwork towards the budget and a, a councilmember remarked like, "Didn't we just do this?" So it feels like, you know, something that has really never too far out of our line of sight, regardless of what time of year it is.

Adriana Temali-Smith:

Carver is a growing city. What are some of the budgeting pressures that your city faces?

Courtney Johnson:

As a growing city, we have a lot of infrastructure needs. So, for example, um, we just opened a new city hall last September. We are working on a expansion of our water treatment facility. There is a main thoroughfare in the city of Carver, it's Jonathan Carver Parkway, or County Road 11, that we're working towards a major expansion project um, that's scheduled for next summer. We also have a significant um, project that involves making improvements to our levee, which protects our downtown historic district from the floodwaters of the Minnesota River.

So lots of stuff that's kinda coming or looming on the horizon, or, you know, just quite frankly, that we need to allocate some funds for um, or hope that we get some- some bonding money in the case of the, the levee project. Um, you know, we also, from a public services perspective, we need more resources to keep up with our growing population.

Adriana Temali-Smith:

Mm-hmm (affirmative).

Courtney Johnson:

So, this year we purchased a new firetruck and then there were some other pieces of equipment um, for the public services department. Um, I think that there is a, a new plow truck that's in the earliest draft of our 2021 budget. You know, there's always something.

Adriana Temali-Smith:

Yeah. And you have a lot of big somethings that you just named. They're not small. So I'm wondering, how are you at the city of Carver — obviously not just you individually, but the whole city and the council — how are you guys balancing and prioritizing between the notion of keeping taxes manageable and low with providing services?

Courtney Johnson:

It's a delicate dance and that's something that we always kinda work towards. And that's, what's the unique challenge of the budgeting processes is, we'll get a draft budget and we will likely not be super comfortable with where the numbers are at in the first draft. And then we'll kind of work with the city manager uh, to whittle that pencil down a little bit more. It's one of those unique challenges that's associated with living in a small, but growing city. As Carver's population grows, so does our, our tax capacity and that's great, but there's also additional needs. Our city manager, Brent Merrick is really, really awesome at, at giving analogies.

And he always uses the analogy of a growing family. And, you know, right now Carver's a really young family. So, we've got lots of mouths to feed, but there aren't necessarily, you know, members of the family yet who are kind of out in the workforce and contributing and, and giving back. So, we have a few more needs right now than we do have, you know, versus cities who are a little bit more built out and kind of reaching the, the limits of their, their growth.

Adriana Temali-Smith:

Yeah, yeah. That's kind of a tough position to be in, but also kind of an exciting position to be in I guess, 'cause you get to be part of shaping that growth. And that must provide a lot of, um, enjoyment, even though there are huge challenges within that budget piece.

Courtney Johnson:

Absolutely. You know, it's, it's cool to see the city's growth and evolution; we're also starting to see some, some development. We have a quick trip that broke ground, um, in late August. Um, so that is, that's exciting. Um, we also have some industry that's really taking shape and we're seeing a little bit more diversification in our housing stock with the assisted living and memory care facility that opened up in, in February. The growth is definitely exciting, but at the same time, it's not without its unique challenges.

Adriana Temali-Smith:

So, here's a scenario for you. The playground equipment in my local city park is outdated and I want it to be replaced. So, I go to my city council and I say, "I think the city should pay for a new playground." How do you handle conversations about city spending with the public?

Courtney Johnson:

I try to handle those kinds of conversations head on and try to do my best to educate the community about the process for these types of requests. So, if you show up in front of city council, you know, I'll try to connect with you beforehand um, and let you know what the process is. And that city council is not necessarily, um — and almost definitely not — going to take action on your request that evening at our meeting. And then I also wanna to provide kinda realistic timeline.

So, if you're coming to me in April and this is something that we potentially wouldn't be able to react to until the following budget year at the earliest, I wanna set those really clear expectations. You know, it's, it's Brené Brown who says "Clear is kind." So, I think that, that's really the only fair way to handle these situations, but it really is an educational process because government isn't necessarily the most nimble animal out there. Um, and certainly the budgeting process is not um, something that we can bob and weave super, super easily on. So, by being able to talk to folks and let folks know that it might be a little while, I'm just making sure that expectations are at a reasonable level.

Adriana Temali-Smith:

Yeah. I think that, the "clear is kind thing," I think that's a really great message. I think that the educational piece is huge, too. We see a lot of people that'll just kind of make off the cuff remarks of, "Oh, the city should pay for that." And I think that sometimes cities have a little bit of work to do in explaining the budget process and where funds come from. The fact that the city isn't paying for it, but it's the residents and it's taxpayers of the city are paying for it. So, it's, it's not just this magical pot of money that the city can wave a wand and "poof" there's a new playground.

Courtney Johnson:

Absolutely. And that's a really, really important component of it, too. And thanks for bringing that up. You know, uh, this money that we're working with, it all comes from somewhere. So, even if it's grant funding or, you know, money that we get from the bonding bill — it's still our money and that's really important. And, you know, I take my responsibility to be a good steward of the taxpayers' money, very, very seriously. So, making sure that, that folks know the process and also where they can go to provide feedback, and just making sure that folks are educated ... 'cause it's not the most straightforward process.

Adriana Temali-Smith:

So, that's actually a pretty good segue, what we were just chatting about, in terms of asking what other revenue streams, does the city of Carver rely on?

Courtney Johnson:

In Carver, property taxes make up about 75% of our revenue. The other streams, um, include state aid. So, we get local government aid, police and fire aid. We also have fire contracts with two of our neighboring townships for fire service, so that generates revenue. Um, and then there's also the revenue that we earn from licenses and building permits.

Adriana Temali-Smith:

Okay. So, that's pretty diversified then.

Courtney Johnson:

Um, it's fairly diversified — yeah, I would say. You know, I think we're always trying to think creatively about, are there any grants, and trying to really make sure that we leave no stone unturned when we're trying to figure out funding sources in the city of Carver.

Adriana Temali-Smith:

Yeah. So, I'm curious to know, how is the city of Carver using CARES Act funding and what is the decision-making been like around that?

Courtney Johnson:

Yeah, that's a really good question. So, in Carver we received a, \$356,000 from the CARES Act. Um, and we anticipate that the city is only gonna be able to qualify for reimbursements of our expenses to the tune of about \$110,000. So that leaves us with a sizable chunk extra money. And with that, council has made the decision to go towards, um, helping those in our community who have also been impacted by the, the COVID-19 pa- global pandemic. So, what we're doing is we're partnering with the Carver County Community Development Agency, or the CDA, on a business emergency assistance program, and a housing stability program.

So, what that'll do is that'll allow beneficiary payments of up to \$10,000 for businesses who have had a direct financial impact due to COVID. And then for the housing stability program, um, there'll be payments of up to \$5,000 for folks who are struggling to maintain their households — um, pay mortgages, pay rents, take care of basic needs, such as utilities and food. Um, and those are both things that we are lucky enough to be able to, to partner with the CDA on because, um, the city of Carver doesn't necessarily have the experience or the, the bandwidth to handle those kinds of things.

Adriana Temali-Smith:

Yeah, we talk a lot at the League about just how much partnerships play a role in everyday city life and how it can strengthen the services that you are already providing. And then when you get thrown into a thing like a global pandemic, uh, we really see it play out tenfold. So mayor Courtney, you're relatively a new mayor; what has been the biggest surprise or adjustment with decision-making around city budgets?

Courtney Johnson:

I, I feel like there's almost a little element of budget amnesia each year. And I feel like it's still a surprise, um, how long and involved the budget process is. You know, we're making decisions throughout the year, and it truly is that we work on, you know, at least seven months of the year. And we see this come to a council meeting and on agenda for our meeting or a workshop four more times before it's finalized. So, I think that's the biggest adjustment, is how involved it is and how much work it takes.

Adriana Temali-Smith:

Well, um, I wish you the best of luck we at the league wish you the best of luck, and the city of Carver with the rest of this 2020 year. And as you start to begin the 2021 budget year and that process, we know there's big, tough decisions to be made. And, um, and we just send all of our support your way.

Courtney Johnson:

Well, thank you so much. I appreciate it. Thanks for having me.

Adriana Temali-Smith:

From a smaller growing community to one of the largest budgets in the state, next up we are going to chat to mayor Tim Busse of the city of Bloomington. Well, mayor Tim, I'm really excited to be chatting to you. I know you have a long career in local government. What motivated you to run for mayor in Bloomington?

Tim Busse:

Well, back in the early '90s, when I was right out of graduate school, I, I started work actually at the League of Minnesota Cities. I was in, in intergovernmental relations for a short while, and then I moved to the communications department where I ultimately became communications director. It didn't take me long to realize that local government is where the things got done, where people actually did something that impacted their community on a daily basis. And the members of the board of the director at that time, they were just so impressive and they did such a great job. I was just so impressed at not only what they did, but how they did it, how they served.

And, I honestly remember thinking to myself that if I ever got the chance I was gonna run for local office. And back in 2011, there was an opening on the Bloomington City Council and I applied for it and was appointed. And served for eight years on the council. And then uh, last year when Mayor Gene Winstead announced that he was not gonna run again, I made the decision to run for mayor, and I'm very happy I, I did. Despite the first seven months of the year being quite a challenge — and honestly, not exactly what I was expecting as mayor — I was asking our city manager when the, when does the fun start?

Adriana Temali-Smith:

Right.

Tim Busse:

And, uh, he doesn't have a good answer for me, but I'm very happy to be serving as mayor of Bloomington.

Adriana Temali-Smith:

So, we're here today to talk a little bit about public finance and budgets. Does this budget year feel different to you?

Tim Busse:

This budget year absolutely feels different — uh, for the obvious reasons that being in the middle of a, a global pandemic and a worldwide recession as a result of that pandemic — it, it's clearly affecting our local government budgets, and our budget decisions, and our spending decisions. And, I know it's not just here in Bloomington, but across the state of Minnesota, and across the country.

Adriana Temali-Smith:

So, here's a question that I like to ask all elected officials. When did you start the budgeting process this year?

Tim Busse:

I would say that the budgeting process here in Bloomington literally did start in mid-March, right after the pandemic really started to take hold and, and the shutdowns began, and we really started to understand what the impacts were going to be. We started looking and making projections, not only what it might mean in terms of uh, some of the revenues, but also what it might mean from a longer-term perspective in terms of the shifts that are gonna occur between our uh, commercial industrial base and our, and our uh, home owners in the city of Bloomington. But also, the impact on, uh, some of our other sources of revenue across the city. And so, we're trying to look at what not only costs, but revenue structures might be, frankly, what the, the number of, uh, property tax deferrals or non-payments were going to be. And so, probably in mid-June or early July, that's when we really started digging in a variety of different ways in our budgeting process.

Adriana Temali-Smith:

Yeah. You know, one of the things that I'm thinking about as we're chatting is, Bloomington is a, a fairly large city; you have a, a fairly large tax base, um, and a really healthy size budget. Outside of, you know, local taxes, what other revenue streams does your city rely on?

Tim Busse:

We're fortunate here in general Bloomington. We're actually what we refer to as a 50/50 city, meaning that our property tax revenue is about evenly split between residential property taxes and in commercial and industrial property taxes. So, uh, it's interesting — in making up that our \$80 million general fund, it is about a 50/50 split. Hospitality as the major industry here in Bloomington, obviously with Mall of America, and the hotels, and the restaurants, and the bars that support MOA. Bloomington collects a liquor and lodging tax, and an admission or a ticket tax, and those sources, they represent about \$10 million each year. And, since mid-March, that revenue stream is basically flat lined. So that is a significant hole of our, of our general fund. There's, there's no way to recover that, that money — that, that hole in our budget. And, it's also figuring into our 2021 and 2022 budget projections as well. We've got a number of different scenarios that we're working on uh, and they are dependent on how quickly and how robustly the hospitality industry rebounds. And, right now that's a huge question mark.

Adriana Temali-Smith:

So, one of the things that all cities have to do is balance this need to prioritize, you know, keeping taxes manageable or, or low enough for the residents who live there, and also providing terrific services. Um, how does the city of Bloomington approach that in a, maybe in a normal year, and then how do those conversations shift a little bit in the setting that we're in right now?

Tim Busse:

We realized with, with very quick math, that just to maintain our current level of service within the city of Bloomington, it would require a levy increase of 8%. And, in the middle of a global pandemic, with a number of people out of work, or having been laid off for a long while ... that that's a, that's a difficult conversation to have within your community.

Adriana Temali-Smith:

Yeah.

Tim Busse:

At the same time, uh, a cut of uh, that size to officially get that levy increase to zero would also mean an enormous reduction in the services that people would come to expect, and, in, in a lot of cases, required from the city of Bloomington. A, a former Bloomington city councilmember, who is a good friend and, and a good mentor of mine, Steve Peterson, he contacted me with the suggestion of appointing a community budget advisory committee. To basically appoint a committee of residents who have a strong knowledge

of municipal budgets and city government, and invite them or appoint them, to provide input and recommendations to the city council on, on the budget.

And so we did that, uh, we, we have a nine-member community budget advisory committee, and uh, we have a former mayor, uh, former police chief, council member, we've got a, a Three Rivers Park district board member. So, we've got folks who are very experienced and knowledgeable in municipal finance, but we also have, we have three individuals who just last year, they participated in Bloomington's Learning to Lead initiative. And it's a program that uh, Bloomington has put together to, um, to teach, and inform, and mentor, and groom people who want to serve in leadership positions in the community.

We invited them to be part of the pro- uh, the process as well. They've been meeting since early June and they have had some robust discussions. And they're, they're putting together recommendations for the council to consider. We just had an update at our last council meeting, asked them specifically to, to come with basically options, A, B and C — with uh, varying levels of financial increases, budget increases, tax increases — as opposed to program cuts. I think people are interested to hear uh, what their, their fellow residents have to say on all this. They're interested in uh, this process that we're undertaking in Bloomington for the first time. And uh, they're interested to see where we're gonna come out on the other side of this.

Adriana Temali-Smith:

That is a really exciting venture. And, you know, I was gonna kinda ask you a question about how do you handle conversations about city spending with the public. And I know sometimes there's a little bit of a gap in understanding of, you know, when we say the city is gonna pay for something, where does that money actually come from? What do people actually mean when they, when they sort of suggest, well, the city should pay for a new playground or a new street, or whatever it might be. Um, this sounds like both a model to be inclusive in the decision making, but also something that has an educational component of really looking at where does the money come from? How does it get spent? How do those decisions get made about how the money gets spent? And I'm super excited to follow where this goes for the city of Bloomington.

Tim Busse:

I think that's exactly right. Uh, I'm not only excited about the, the outcome, but I think the process as well. And not just the process of doing it, but the process of, of educating folks and really getting people to understand. I think you're exactly right in the observation that a, a lot of folks, uh, it, it's hard to, to connect the dots as, as to exactly how it all works in terms of uh, a proposal all the way to actually being uh, a city program — what the, what the budgetary impacts might be, what the spending impacts might be. Um, and, and just what it means, not for that individual or specific uh, initiative or, or the need for new park equipment or the need for a new program, but what that means for the city budget as a whole.

Adriana Temali-Smith:

So, Mayor, Tim, I wanna ask you how the city of Bloomington is using CARES Act funding and what the decision making has been like around that.

Tim Busse:

The city of Bloomington, we received about \$6.7 million in CARES funding for COVID expenses. And, we spent about 2 million of that just on general expenditures — uh, payroll and PPE and professional services, and that kinda thing — about \$2 million. And then, about another \$2.3 million on items above and beyond that. And in particular, probably the largest part of that, uh, we unveiled back in July, our small business emergency assistance loan program. And that's a total of about \$1.3 million of the CARES funding that we're using for that. We just set it up as a loan program to assist businesses uh, that have been impacted

by the COVID-19 pandemic. And we accepted applications July 21st through August 3rd. Frankly, I know we got more applications than what we have dollars available and ...

Adriana Temali-Smith:

Wow.

Tim Busse:

... we've made them available, maximum amount of uh, \$7,500 for businesses and 3000 for independent contractors. Not huge amounts, but we're hoping enough that it can help people along. We did make a point of trying to, to target minority-owned and women-owned businesses because we, we learned in our research that those were the organizations and the businesses that were having the hardest time receiving federal or state dollars. That leaves us uh, at about \$2.5 million that are remaining. And we're kinda holding off to figure out exactly where and when we might want to spend those.

Adriana Temali-Smith:

I wanna transition just a little bit. I wanna think about process. Um, you obviously are a councilmember with other councilmembers. Uh, you're the mayor, but you've got a team of people that have to make decisions together. What sort of process do you go through to understand and meet the needs of your councilmembers during the budget process? People are all coming at this from different perspectives and, and different experience levels.

Tim Busse:

Absolutely. Our, our council in Bloomington is, is flipped in an interesting way. Three members are what you'd call uh, "seasoned" councilmembers. And I just did air quotes with my fingers when I did seasoned.

Adriana Temali-Smith:

[Laughter] Yep.

Tim Busse:

But, we also have four members of our council, so a majority of the council, that had been on council for less than two years. And, so, obviously they're just getting their feet wet and just learning it. And, it can be, it can be cumbersome and a bit repetitive at times, but as mayor, I've made every effort to ensure that we're bringing everyone along, that it's not just the assumption uh, that everyone has experienced, everyone understands, everyone knows how it all fits together. We've talked about what possible levy numbers we'd be looking at, what makes sense from a policy standpoint, as opposed to um, just a, a strict budget standpoint. And, we've tried to bring it all together. And, and it's been, it's been a good and productive discussion to this point.

Adriana Temali-Smith:

Well, that's good. And I, I really appreciated the fact that you recognize and balance both seasoned councilmembers and their experience around, you know, big financial decisions, along with those who are newer councilmembers and ensuring that their voice is at the table in an equal fashion. You mentioned that you are a longtime councilmember, but you're relatively new mayor. I'm curious to know if there's been any adjustments or big surprises as you've taken on the role of mayor and as it relates to the budget process.

Tim Busse:

As I said earlier, I, I keep waiting for, for the fun part about being mayor to kick in, right.

Adriana Temali-Smith:

[Laughter] Yeah.

Tim Busse:

We're getting there, we're getting closer. But I think, uh, the, the biggest adjustments around the budget process, first of all, as, as being mayor, is to being in the, the leadership role and leading and directing, and kinda guiding the conversation as we go through this. The community budget advisory committee that I mentioned, that's, that's been a huge adjustment. Uh, another process piece of this, our study sessions are now televised; it, it, it shows pretty clearly how the sausage is made. 'Cause I think especially with the budget, we'd, we'd talk about it at different times in our regular council meetings, and then in the public's mind had this number just appear and they really didn't understand where that budget number came from.

Now to show our study sessions on, on television each week — uh, to make that process more accessible, to kinda draw the curtain back in the work that we do, I think is, uh — has been a huge adjustment, not only for staff and the elected officials, but for the public as well. And, the, the biggest adjustment of all has been doing this remotely. I'm a, I'm, I'm a people person, I'm a, a relationship builder. I like to connect and, and work through people and to not be able to, to work directly and personally with people is, is a challenge.

Adriana Temali-Smith:

So, mayor Tim it's been really enjoyable getting a chat to you today. You've mentioned a couple of times that notion of this has been a challenging year to be a new mayor, and, and when is the fun going to kick in? Um, and of course, I know that you say that jokingly because we all have fun, you know, and enjoyment in our, in our roles, even during these challenging times. So, I wanna ask you to reflect: what's one thing that you've really enjoyed or really had fun with in these past challenging months?

Tim Busse:

And you're exactly right. I do joke about looking for the fun, but, uh, I absolutely enjoy being mayor. I, I like the work that I do in the community, I like meeting people, I like connecting with folks. I have been surprised at the number of folks that have reached out to me either as through phone or via email, or even just out and about — and I'm not out and about all that much. But if I'm out walking my dogs in the neighborhood, or if I'm at the farmer's market, or at the grocery store, the number of people who have stopped me — and, surprisingly recognized me despite wearing a mask most of the time — and who have had good things to say about the work that the city is doing, and the approach that the city is taking, and the measured and reasoned response that the city has had, uh, it is very gratifying.

It tells me that people are paying attention, that they appreciate uh, a bit of an even keel and a thoughtful approach to the things that we're doing. And, they're, they are generally grateful for their city staff and for their city elected officials who are putting the time and effort into doing this kind of thing.

[Podcast theme music plays briefly and fades out]

Adriana Temali-Smith:

Here at City Speak, we like to wrap up by reflecting on the important lessons our guests bring us. I'm not gonna lie, the word "budgets" fills me with a cold dread and makes me want to leave the room. It's not something that I feel I have a lot of confidence around, and the idea of having to make decisions on a big city budget really inspires awe in me that other people are able to do that. So, one of the things I heard is that budgeting is a really big complex process and cities have to go through it, whether they're large or small. Just because your budget has an extra zero on the end, doesn't mean that it's more complex of decision-making. All cities face a complexity of balancing great city services with the revenue that they take in.

The second thing I heard was transparency of the process. It's really key to involve your residents along the way, whether that's through public meetings, televised meetings, uh, invitation for comment at public meetings. Ensuring that the decisions that you're making around how you spend money has full transparency is a really core piece of the process. The third thing that I heard is there's a need to gently guide and educate people along the way, and that might be your fellow councilmembers, and that might be the public. We all think a little bit differently when we hear somebody say the city should pay for that. And, what we actually mean, or what people actually mean when they say that, really needs to be broken down to understand where does that money come from? How are we ensuring that we don't have to raise tax levies too high in order to balance the amazing services that cities are there to provide? So, there's a little bit of education that we all need to do along the way.

The last thing that I heard was just a ton of resiliency. Cities are facing difficult times and councilmembers are facing difficult decisions. And, so, I was really inspired by the tenacity, the resiliency, the creativity, and innovation that I heard both from the city of Carver and the city of Bloomington, as they aim to continue to provide amazing services. I wish them both luck and I'm excited to see where they go this year. As always, we wanna wrap up, by thanking everyone for listening to City Speak. I wanna give a huge thank you to mayor Tim Busse and mayor Courtney Johnson. It was a pleasure to have both of you on the City Speak.

[Podcast theme music begins] This is a podcast for city leaders on short takes of city issues and it's brought to you by the League of Minnesota Cities. Episodes are released regularly and are posted on the League's website and via Twitter. You can find us on iTunes, Google Play Music and other podcast applications. If you have an idea for an episode, feedback, or simply wanna get in touch, you can connect with us at podcast@lmc.org. Until next, time take care.

[Podcast theme music ends]