

**CITY OF SHOREVIEW
MINUTES
CITY COUNCIL WORKSHOP MEETING
August 12, 2013**

CALL TO ORDER

Mayor Martin called the workshop meeting of the Shoreview City Council to order at 7:00 p.m. on August 12, 2013.

ROLL CALL

The following attended the meeting:

City Council: Mayor Martin; Councilmembers Johnson, Quigley, Withhart and Wickstrom

Staff: Terry Schwerm, City Manager
Mark Maloney, Public Works Director
Jeanne Haapala, Finance Director
Fred Espe, Assistant Finance Director
Debbie Maloney, Accountant
Tessia Melvin, Assistant to City Manager

PRELIMINARY TAX LEVY

Haapala began the discussion by reviewing the five-year operating plan document with the Council. Haapala indicated that this was a partial five-year plan since it only included the general fund and other tax supported funds that impact the proposed tax levy. As part of this review, she discussed the general fund and also reviewed the City's fund balance policy as it relates to the cash flow needs of the City. Other funds reviewed included the Economic Development Authority, Housing and Redevelopment Authority, and four capital funds (street renewal, general fixed asset revolving, community investment fund, and capital acquisition fund).

She explained that the budget proposal anticipates creating a new Community Investment Fund and then closing the former Capital Improvement Fund. The former \$120,000 levy for the Capital Improvement Fund is being used to increase the levy for the fixed asset revolving fund that needs additional financial support and for a \$20,000 levy for the capital acquisition fund that is used to purchase new software. About \$50,000 of this former levy is being used to reduce the tax levy. After some Council discussion regarding the five-year operating plan, the Council moved to a review of the proposed 2014 levy.

Haapala indicated that the original Department requests for 2014 would have resulted in a 5.9% increase in the levy, which would have exceeded the 3% levy limit by about \$256,700. Through adjusting revenues and reducing expenditures, the proposed levy is now slightly below \$9.9

million, which represents a 2.98% increase in the tax levy. This amount is slightly below the levy limit.

Haapala noted that estimated taxable values in the City have increased 1%, which is the first increase in value in 5 years, and the estimated increase in the tax rate is 1.06%. Based on this calculation, the median value home that had a 1% increase in value would pay about \$17.37 more in City taxes in 2014 than in 2013.

It was again noted that a 3% levy limit is in place for 2014 and the only exception to the levy limit is debt service costs. At the current proposed levy amount, the City is about \$28,000 under the proposed levy limit. If the City Council wanted to preserve maximum flexibility, they could levy this additional \$28,000 and still remove it prior to the final levy adoption in December. Mayor Martin spoke in favor of this option and indicated that some reductions were made in certain areas of the budget that the Council may want to discuss further before making a final decision. Councilmember Withhart also noted that if the City levies less than the proposed levy limit, the State will sometimes take away the ability to levy it back in the future, as they have done this year.

Schwerm then reviewed many of the projected increases in the proposed 2014 budget with the Council. He noted that the increase fell into three broad categories:

- Personnel and Benefit Costs – the proposed budget includes a 2% adjustment to wages and a \$60/month increase in health insurance contribution. Schwerm reviewed several changes in personnel costs including reallocating certain costs to the HRA and EDA, anticipated finance department turnover, and a new part-time person to assist with human resource functions particularly as they relate to the new health care law.
- Public Safety Costs – the police costs are increasing substantially due to a change in the way the County is accounting for post employment benefits (health insurance) which previously had not been accounted for in the Sheriff's budget. This change accounts for about two-thirds of the 4.5% increase in police costs. Fire Department costs are increasing due to the continued implementation of the duty crew program and higher vehicle maintenance costs.
- Capital and Debt Service – the levy for debt service and capital replacement costs is increasing about \$112,000. This amount would have been higher, but elimination of the levy for the Capital Improvement Fund helped moderate the proposed increase.

Schwerm also reviewed some revenue adjustments that were made including increasing revenues slightly from budget amounts for building and zoning/subdivision fees, increased transfers from the Cable fund for communication costs, and increased transfers from utility funds consistent with the Council policy.

Councilmember Withhart asked about the transfer from the general fund to the Community Center. Haapala commented that it was scheduled to go up by about 3%, however, the Community Center has covered about 90% of its operating costs for several years.

Councilmember Wickstrom indicated that she was hearing concerns about the aging city infrastructure, specifically parks and trails. Schwerm said that the City had increased its levy in the general fixed asset replacement fund by an additional \$50,000 to better fund replacement costs. Storm pond maintenance costs are covered in our surface water fund. The surface water fund anticipates beginning work on some pond dredging projects again, but many of the complaints about ponds regarding the duckweed that accumulates on the pond surfaces. The City does not fund any treatment of ponds.

Councilmember Johnson asked a question about depreciation costs. Haapala explained that other than our enterprise funds (sewer, water), the City does not use depreciation. However, we do account for replacement costs (or depreciation) in our capital funds such as street renewal and the fixed asset revolving fund.

There was significant discussion regarding the new health care law and its impact on Shoreview, as well as the new LGA formula that is providing additional money to many cities. It was noted that Shoreview is not scheduled to receive any LGA.

After additional discussion, the City Council appeared to have consensus to levy up to the 3% levy limit to preserve maximum flexibility in reviewing the proposed 2014 budget and tax levy.

DISCUSSION REGARDING PROPOSED COMMUNITY INVESTMENT FUND POLICY

Espe presented information regarding the Community Investment Fund Policy. He provided background that in June 2013, the City Council approved implementing franchise fees on electric and gas services with Xcel Energy. The new franchise fee is estimated to generate annual income of \$804,000 in 2014.

The proposed policy establishes a Community Investment Fund through a closing and transfer of the City's Capital Improvement Fund that has an estimated balance of \$622,518. In addition to the revenue created from franchise fees, staff recommends that receipts of wireless telecommunication antenna, outdoor billboard lease be added to this fund.

The proposed policy noted that the fund could be used for new projects that are in the Capital Improvement Program and that have community wide benefit. Some of the projects that could be funded include trails, park improvements, Community Center improvements, property acquisitions, and historic renovation. According to the policy, this fund cannot be used for operating costs. If the Council wants to use the money for a project or use that the fund is not designed for, it would require a public hearing and super majority vote of the Council to expend the funds. The policy also establishes a limit on what percentage of the annual revenue can be used for debt service costs to insure that revenues would be available on a regular basis for new projects.

The City Council discussed the proposed policy and indicated that it reflected their desire to create a Community Investment Fund. Councilmembers noted that the proposed guidelines in

the policy were reasonable. The consensus was to formally approve the policy establishing the Community Investment Fund at an upcoming meeting.

OTHER ISSUES

Councilmember Wickstrom asked the Public Works Director about traffic concerns due to road construction. Maloney provided an update on road projects and assured Councilmember Wickstrom that staff is working hard on redirecting traffic and to ensure that projects are completed on time.

Mayor Martin provided the Council with the City Manager's employment agreement and noted that it needs to be renewed. She noted that it has not been changed for six years and that the City Manager was not seeking any change to the agreement. After some discussion by Councilmembers, they asked that a discussion about the agreement be placed on an upcoming workshop meeting for further review and asked that the Human Resources Director attend to provide information on benefits.

Mayor Martin brought up an issue of garbage containers and City policy. She reminded Councilmembers that residents are to put away their garbage and recycling containers or create a screen that hides them. Recently, a resident was confronted by staff about this issue and the staff felt conflicted because of our current policy of providing warnings, but no fines. She suggested that staff have a clear protocol to follow.

Mayor Martin provided an update she, Schwerm and Maloney recently had with the Turtle Lake Homeowners Association. They are trying to work with the Met Council to be included in the Lake Augmentation study for White Bear Lake. Councilmember Johnson asked for the percent of Turtle Lake Homeowners in favor of augmentation. Schwerm indicated that in the most recent survey of homeowners, more than 50% of homeowners supported augmentation if water quality concerns were addressed and it was a reasonable cost.

Mayor Martin asked the Council to move recruitment for Committees and Commissions to earlier in the fall.

Melvin asked the Council to provide their opinion about having a City E-mail that would point to their personal e-mail. All Councilmembers were in favor of making the change. Melvin assured Councilmembers that she would work with IS to ensure that the transition is smooth.

The meeting adjourned at 10:45 p.m.