

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
December 2, 2013**

CALL TO ORDER

Mayor Martin called the regular meeting of the Shoreview City Council to order at 7:00 p.m. on December 2, 2013.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance.

ROLL CALL

The following members were present: Mayor Martin; Councilmembers Johnson, Quigley, Wickstrom and Withhart.

APPROVAL OF AGENDA

Mayor Martin requested a brief discussion to schedule interviews of Planning Commission applications under the *Special Order of Business* portion of the meeting.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Johnson to approve the December 2, 2013 agenda as amended.

VOTE: Ayes - 5 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

Mayor Martin noted that Representative Barb Yarusso was in attendance for the budget hearing and thanked her for attending.

CITIZEN COMMENTS

Mr. Tom Kramer, 4444 Chatsworth, stated that his concern is that the DNR deer count is not accurate. Infrared binoculars need to be used. In his own calculation, he took the 2000 survey of 74 deer and assumed half the does produced fawns. Over four years, this adds up to 374 deer. None of the counts by the DNR approach that number.

Mayor Martin asked if Mr. Kramer had contacted the County. **Mr. Kramer** responded that he would like the City to contact the County. The County has indicated that they do not have infrared binoculars. However, there are sources for this equipment, such as the army reserves.

MOTION: by Councilmember Johnson, seconded by Councilmember Wickstrom to approve the November 12, 2013 City Council Workshop Meeting Minutes and the November 18, 2013 City Council Meeting Minutes as submitted.

VOTE: Ayes - 4 Nays - 0 Abstain - 1 (Withhart)

PUBLIC HEARING

BUDGET HEARING - REVIEW OF 2014 BUDGET AND TAX LEVY

Presentation by Finance Director Jeanne Haapala and City Manager Terry Schwerm

The handout for the budget presentation is the 2014 Budget Summary booklet. Other Handouts available on the City's website and at city hall include: 1) utility operations; 2) community benchmarks; 3) the biennial budget and CIP (Capital Improvement Program); and 4) the Five-year Operating Plan.

Budget objectives considered in development of the biennial budget include: 1) balance the General Fund budget--something bond rating agencies look for; 2) maintain existing services and programs that residents consistently indicate they want to keep through the Community Survey; 3) strive to fund infrastructure replacement, such as roads, playground equipment, buildings; 4) continue 5-year financial planning; 5) meet debt obligations; 6) maintain the City's AAA bond rating; 7) protect parks, lakes and open space; 8) prepare a biennial budget and position the City to address future challenges and opportunities through: a) maintaining and revitalizing neighborhoods; b) encouraging business expansion and reinvestment; c) assisting redevelopment opportunities; and d) utilizing technology to improve services and communications.

The 2014 tax levy is increasing approximately \$330,000, or 3.4%. This increase includes the Housing Redevelopment Authority and Economic Development Authority, debt service, capital and project funds as well as the General Fund of the City. The taxable value of the City, after five years of declining values, will increase 1.1 %. The tax rate is increasing approximately 1.6%.

This year the legislature established levy limits for cities. Shoreview's proposed levy is \$417,413 below the levy limit. There has been a lot of recent discussion in the media that since the legislature has increased aid to cities, city levies should be going down or held flat. However, it should be noted that Shoreview did not receive any state aid in 2013 and will not receive any in 2014. In fact, the City has not received any state aid for more than a decade. Comparable sized cities such as White Bear Lake receive aid in the amount of \$1.5 million; Maplewood and New Brighton will both receive \$500,000 or more in 2014. If Shoreview were to receive similar state aid, there would be no levy increase this year.

The legislature also repealed the law requiring cities to pay sales tax on many local government purchases. The estimated sales tax paid in 2012 is approximately \$160,000. Anticipated savings for the General Fund is \$38,900, which has been incorporated into the 2014 budget. Savings in

other funds will be lower because information obtained since the \$160,000 estimate was prepared clarified that the City will continue to pay sales tax on some items.

Major items impacting the 2014 tax levy include:

- Public safety costs--the City now must pay a portion of Sheriff's Department post retirement benefit costs, and secondly, the contract with the Lake Johanna Fire Department includes continued implementation of the Duty Crew for eventual 24/7 coverage in all fire stations.
- Equipment charges covering the purchase, operation and maintenance of all vehicles
- Capital funds for Street Renewal and Fixed Asset Revolving Fund
- Wages and health insurance adjustment for employees
- Staff changes and the vacant Park and Recreation Director position to be filled later in 2014
- Legal costs
- Some of these higher costs are offset by higher revenue from transfers in, primarily from utility funds and cable television, and from permit revenue

Operating expenses are projected to total \$24,636,946 in 2014. Operating expenses consist of the following:

- General government
- Public safety
- Public works
- Parks and recreation
- Community development
- Enterprise operations--utilities
- Central Garage
- Debt service
- Depreciation of systems and assets
- Miscellaneous

Excluding capital funds, the increase in operating expenses for 2014 is 3.2%. The two largest operating expenses are Enterprise Funds (utility operations) and parks and recreation.

The largest share of operating revenue is from utility charges, followed by property taxes and charges for service. Charges for service revenue is mostly park and recreation fees that go directly to pay for recreation programs and the Community Center.

Budget reduction and efficiency strategies, used to reduce the budget and maintain efficiency, include:

- Contracts for fire and police protection - Contracting with Ramsey County for police protection in conjunction with six other communities, allows the City to save substantially on policing costs.
- Continual use of the correctional crew has given the City many hours of labor at a low cost.
- No contingency allowance is maintained for unforeseen items. The budget is balanced between revenue and expenses.

- Strategy for long-term preventative maintenance for infrastructure replacement.
- Some street renewal projects have been delayed in order to hold the levy as low as possible.
- Maintain a high-deductible health insurance plan.

Property Taxes

Ms. Haapala introduced Ramsey County Assessor Stephen Baker who was in attendance to answer questions. Ms. Haapala emphasized that changes in property value can have a big impact on the change in property taxes. Approximately half of home values in Shoreview increased in value and approximately half decreased in value. Only about 1% stayed the same. Again, changes in value also impact the change in tax because the Minnesota tax system is designed to distribute property tax burden based on values. The tax levy is divided by total value to determine a tax rate, and that tax rate is used to compute individual tax bills in each year.

Data provided by Ramsey County shows that approximately 59% of homes in Shoreview are experiencing a decrease in total taxes or no change. Approximately 17% will see an increase in total tax from \$1 to \$100. Another 8% will see an increase in total tax up to \$200 and approximately 3% will see an increase more than \$500.

The median valued home in Shoreview for 2014 is \$224,500, which is a 1% increase median value change from 2013. The following shows how different changes in value for the median homes will impact Shoreview's share of the tax bill:

- A median value home that drops 10% in value will pay \$89.73 less in City taxes.
- A median value home that drops 5% in value will pay \$36.86 less in City taxes.
- A median value home that drops 0.8% in value will pay \$3.81 more in City taxes.
- A median home value that increases 1% in value will pay \$19.70 more in City taxes.
- A median value home that increases 5% in value will pay \$53.72 more in City taxes.
- A median value home that increases 10% in value will pay \$92.91 more in City taxes.
- A median value home that increases 15% in value will pay \$128.77 more in City tax

The change in the City share of the tax bill for a variety of home value, assuming a 1% value increase, is as follows for 2014:

- Home value of \$150,000 will have a City tax increase of \$12.65
- Home value of \$200,000 will have a City tax increase of \$17.25
- Home value of \$224,400 will have a City tax increase of \$19.70
- Home value of \$300,000 will have a City tax increase of \$26.81
- Home value of \$500,000 will have a City tax increase of \$43.68
- Home value of \$700,000 will have a City tax increase of \$69.96
- Home value of \$900,000 will have a City tax increase of \$91.81

The City's accounts for approximately 23% of the total 2014 tax bill on a median valued home (\$224,500 home value). The total tax bill is approximately \$3,399, and the City's share is about \$778.

The total tax bill (assuming the Mounds View School District and Rice Creek Watershed District) is distributed with \$1,323 to Ramsey County, followed by \$1,088 to the school district and \$778 to the City. Smaller amounts are distributed to the Metropolitan Council, Mosquito Control, Rice Creek Watershed, HRA, and County Regional Rail. The Mounds View School District referendum has been factored in, but those in the Roseville School District may see a difference because the referendum information was not available at the time of this report.

One way the City measures its performance is to compare itself to cities of similar size in the metro area. For this comparison the City selects 28 other metro cities closest to Shoreview population and then computes the City share of the property tax bill based on Shoreview's median home value of \$222,200 for 2013. The result is that Shoreview ranks 6th lowest. This ranking has been consistent over the past several years.

In comparing the total tax (not just City tax) on a \$222,200 value home, the comparison shows a different result. In this case, Shoreview is 4.5% above the average of \$3,274 because the taxes for all other jurisdictions are included (school, County and other taxing jurisdictions).

If residents feel their property value is too high, we encourage them to follow the appeal process outlined in the handouts and on the reverse side of the estimated tax statement mailed to all property owners.

Mayor Martin opened the public hearing.

Ms. Mnushkina, 5663 Erik Lane, stated that Shoreview's debt service is \$200,000 per month. Ramsey County's budget for 2014 is a 0% increase. A new maintenance building is not needed, but a new one has been built. This was not voted on. Shoreview trucks waste gas driving around doing nothing. It is her hope that Shoreview residents will be responsive.

Mr. Wolff, 5663 Erik Lane, stated that similar to telling his children that there are some Christmas presents that the family cannot afford, the City must also be the adult and tell residents that the City cannot afford all the services provided. There is a 3.4% increase proposed in 2014 and in 2015 a 5.1% increase with a \$1.4 million Community Center expansion. Also a new position of Park and Recreation Director will be added. Explanations from the Council are not about reducing the levy but about why the amount spent is needed. The City has a \$31 million debt, which is \$1,250 per person or \$3,250 per household. Ramsey County has only a \$400 per person debt for people in Shoreview but a budget 60 times that of Shoreview. North Oaks has a \$500,000 to \$600,000 surplus. Last month the City passed a \$2.5 million bond that was not explained. The five-year operating plan showed a \$25 million debt for road reconstruction. That changed in one year to \$31 million. By 2017, the five-year plan shows an additional \$22 million in debt, which will mean over \$50 million in debt for Shoreview. Shoreview's ranking of sixth lowest would be lowest of all cities if taxes were increased to pay off the debt. Since the Community Center was built in 1990, the tax increase per household in 2014 will be a record increase of 0.38. New facilities added to Turtle Lake Beach, major changes to Bucher Park, Sitzer Park and others were not necessary. Only minor maintenance was needed, but the major renovations have now been added onto the City's debt. The Community Center costs \$300,000 per year plus \$500,000 in rehab. The building should be sold to pay for the City's debt.

Mr. Craig Schaefer, 956 Amble Road, asked if the debt is real that was discussed by the previous speaker. The debt should not be passed on but should be paid off. If the debt is not resulting in a net increase in revenue, he does not support it.

Mr. Bill Oberriet, 999 Chatsworth Place, stated that he is proud of the Council and is pleased with the services he receives for the taxes he pays. Every interaction he has had with staff has been very nice.

Mr. Peter Berglund, 162 Bridge Street, recommended that the new franchise fees be used for energy efficiency improvements to save taxpayer dollars. Such improvements do bring savings that can be passed on to residents.

Response to Comments and Questions

Mayor Martin stated that the amount of debt a city can carry is mandated by the state. The City is very low in that capacity. City Manager Schwerm explained that the City is very responsible in handling debt as is evidenced by the AAA bond rating of the City by Standard and Poor's. Debt is incurred only for larger capital projects, not for any operating costs. Next year the City will levy approximately \$700,000 for debt service costs. Debt is repaid routinely. There has never been a default. Some of the City's debt stems from yet uncollected assessments from road improvement costs assessed to properties. There is also debt within the water and sewer and surface water utility funds.

Ms. Haapala stated that it is a balancing act in deciding when to issue debt. If the City were to pay for all capital costs with current resources, the property tax bill for Shoreview could as much as triple, which would be exorbitant for homeowners. Issuing debt for every capital expense would buy down taxes now only to have to increase taxes dramatically in the future. When examining the total planned capital costs in the CIP, without the water treatment plant which the City Council has not yet made a decision about yet, only 23% of the City's capital costs are financed by the issuance of debt. The rest is paid by current resources. Statutory requirements show that at the end of 2013, Shoreview is using 18% of its legal debt margin. Shoreview had been at 15%, and had predicted 15% for the end of this year before the issuance of refunding debt. This type of debt issued to repay existing debt at lower interest rates, much like refinancing a mortgage, and this has saved the City several hundred thousand dollars in recent years. That debt was not new money. It is bond proceeds that being held to pay existing debt. As far as the retirement rate for the City's debt, in the next five years, 54% of the City's debt will be retired. Bond rating agencies consider that to be an excellent number. There will be new debt issued for future projects, such as when a new water main is put in and residents are assessed over a period of 15 years. The timing for debt payments are matched to when the revenue comes in. In the next five years, approximately \$8 million in debt is planned not including the water treatment plant. At least that much will be retired in that time. Again, the City is now at 18% of the legal maximum debt allowed by statute.

Mr. Schwerm noted that one reason for somewhat higher debt in the last few years is the Council's decision to issue debt for street rehabilitation to make sure streets are kept in good

repair. If these repairs were not made, some streets would have deteriorated to the point of needing total replacement and reconstruction. Instead, a full-depth reclamation strategy is being used that saves curb and gutter replacement and cuts street maintenance costs in half. Bond issues for these costs were planned when other debt was being retired so it would have only a small impact on taxpayers.

Councilmember Withhart stated that he is very comfortable with the low level of debt carried by the City. The City is very capable of repaying the debt. Staff and the Council have spent a lot of time studying debt numbers to keep the City in a good position.

Mayor Martin added that Shoreview is only one of 21 jurisdictions in the state with a AAA bond rating and is one of the smallest cities to achieve this rating. She encouraged residents to read the criteria used to award bond ratings. Fund balances are reviewed as well as debt. What is noted about Shoreview is the long-range approach to finances. Shoreview was one of the first in the country to have an infrastructure replacement plan that goes out 40 years--what will need to be replaced, when the replacement will be needed and approximately what the cost will be. That is an extraordinary plan that rating agencies commend. To say that the Council does not pay attention to spending is unfair. Decisions are made based on input from the Community Survey and contacts with residents. Residents love the services provided in Shoreview. Approximately 96% say they wish to keep the services provided--snow plowing, maintenance of streets, parks, Community Center. These are things people say influence them to live in Shoreview. Debt is not an issue for Shoreview.

Councilmember Johnson stated that a great deal of time has been spent by the Council on what is important for the budget. As the newest Councilmember, she would say that it is underestimated the amount of time spent on this issue. One of the higher costs is public safety. Expectations for public safety is high, and it is important to maintain these quality services. Collectively as a group, each person on the Council challenges the others. When she looks at the Community Survey and sees that the quality of life in Shoreview has increased from 96% to 99%, she attributes that to the good work this Council is doing.

Councilmember Withhart echoed that public safety is a big driver of the increased budget. However, because costs are shared by contracting with Ramsey County, the cost to the City is much lower. One higher cost is implementation of the Duty Crew system with the Fire Department. Again, that cost is shared with two other communities. Many volunteers do not live in the City. Duty crews are providing dramatically reduced response times. This is particularly critical with the medical calls that are being answered.

Councilmember Wickstrom noted that the position for Park and Recreation Director is not new. The person in that position retired a few years ago and those duties were shifted to other staff. However, the need for a new Director is evident. In regard to selling the Community Center, a number of years ago Lifetime Fitness wanted to take over the operations of the Center. Members who pay for the Community Center services spoke out loud and clear that they did not want it sold.

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to close the public hearing at 8:27 p.m.

Mayor Martin noted that action on the tax levy and budget will be taken at the Council's December 16th meeting.

SPECIAL ORDER OF BUSINESS

Mayor Martin reported receipt of seven applications for the two Planning Commission vacancies, including the one member who is seeking reappointment. She would like to set up an interview schedule.

It was the consensus of the Council to interview all seven applicants. Half will be interviewed from 7:00 to 8:00 p.m. immediately prior to the workshop meeting on December 9, 2013. The remaining applicants will be interviewed at an early special meeting immediately prior to the regular Council meeting on December 16, 2013. The Planning Commission Chair will be invited to participate.

ADJOURNMENT

MOTION: by Councilmember Johnson, seconded by Councilmember Withhart to adjourn the meeting at 8:35 p.m.

VOTE: Ayes - 5 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 16th DAY OF DECEMBER 2013.

Terry Schwerm
City Manager