

**CITY OF SHOREVIEW
MINUTES
CITY COUNCIL SPECIAL WORKSHOP MEETING
July 21, 2014**

CALL TO ORDER

Mayor Martin called a special workshop meeting of the Shoreview City Council to order at 8:15 p.m. on July 21, 2014.

ROLL CALL

The following attended the meeting:

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

Councilmember Johnson was absent.

Staff: Terry Schwerm, City Manager
Fred Espe, Finance Director
Rebecca Olson, Assistant to City Manager

City's Audit Firm
MMKR: Aaron Nielsen, Assistant Director

REVIEW OF ANNUAL FINANCIAL REPORT AND MANAGEMENT

Mr. Nielsen stated that he is pleased to meet with the Council and review the audit summary. Each year the Mayor and City Manager are interviewed as part of the audit process to discuss any concerns. No concerns have been identified by staff or his audit firm.

Three documents are produced every year and submitted to the city: 1) Audit Opinion; 2) Compliance Manual Letter and results of testing; and 3) Audit Management Report.

In the Audit Summary, an unmodified opinion has been issued showing that the City's finances are fairly presented in accordance with generally accepted accounting principles. There were no findings for follow-up in any areas tested according to the Minnesota League of Compliance. One change occurred this year with the implementation of GASPE Standard 65. This is a change in some formatting and was accomplished with no issues.

The City's taxable market value has been declining and decreased 6.4 percent for taxes payable in 2013. Mr. Schwerm noted that there will be an increase next year and a bigger jump for numbers in 2015 that will be seen in 2016. Values are up Citywide by as much as 9% to 10% in some areas.

Councilmember Quigley asked about tax rate comparisons. Mr. Schwerm stated that Shoreview's tax rate has increased slightly more than other cities because the Council has focused on capital replacements for streets, buildings and equipment. Often these are areas cities cut for savings.

Mayor Martin asked if the change to the biennial budget has impacted the auditing process. Mr. Nielsen stated that there is little impact to the audit because the focus is on the numbers presented for the year being audited.

Councilmember Withhart asked if there would be any specific recommendations on the Parks and Recreation Department funds because of the amount of movement and money handled. Mr. Nielsen responded that the audit does not review how departments use funds. It is noted that the Parks and Recreation Department is well above the average, which is attributed to an active Community Center. Mr. Espe added that when meeting with the auditors, department transactions are reviewed. Mr. Nielsen stated that transaction tests are conducted which showed no concerns. Mr. Schwerm stated that periodically a focus is requested specifically on the service desk where a lot of cash handling occurs.

Councilmember Quigley asked about evaluation of the management of fund balances. Mr. Nielsen stated that the City's fund balance policies are in line with the State Auditor's Office guidelines. The threshold of 35% to 50% is used in the State Auditor's Office because of the timing of tax receipts by cities. Shoreview is stable and has consistently maintained a 50% policy, which is also important to bond rating agencies.

Mr. Nielsen referred to the Management Report, table of reconciliation of total governmental funds with the exception of enterprise funds. Two reconciliations are provided. One shows the components of the fund balance with various restrictions. The second is of the major and non-major funds. There has been an increase in restricted resources and a decrease in the unassigned and assigned fund balance for a net change in all governmental funds of approximately \$107,000. This reflects the City's significant investment in construction activity this past year. The increases in restricted categories reflect refunding proceeds that are being held and will be used to refund bonds in the future. Mr. Espe added that the advanced refunding will be completed by 2015 and saved the City close to a quarter of a million dollars on future debt service.

Mr. Nielsen stated that per capita expense shows a significant increase in intergovernmental revenue due to joint projects with other governments and agencies. Mr. Espe stated that for joint projects both the expenses and revenue are recorded in the City's financial statements. Mr. Nielsen noted that the "Other" category which shows a negative reflects the significant change in market value adjustment.

Mr. Nielsen noted that the biggest jump in current expenditures per capita is in street maintenance. Mr. Espe explained that the biggest expenditures were County Road D with Roseville where the City paid the costs and was then reimbursed by Roseville and Ramsey County. The costs are shown, but the City cannot show the complete capitalized asset as a City asset because a portion of the street is not under City jurisdiction. The same happened with the

Owasso Street project. They are shown as current expenditures. Mr. Schwerm noted that with the County Road D project, Red Fox Road, Owasso Street and County Road E projects in addition to the normal street renewal projects, 2013 was one of the biggest years for road projects in the City's history.

Mr. Nielsen added that the capital outlay reflects the big expenditures for streets going from a \$54 level to \$273.

Mayor Martin expressed particular pleasure in noting the following about debt service per capita: "Debt service per capita in Shoreview is well below the state average due to the status of the City's infrastructure and stage of development. The City's preparation of a comprehensive infrastructure replacement plan and a five-year capital improvement program has allowed management to plan the long-term financing of future projects using a combined strategy of available financial resources and debt issuance. This, in turn, has reduced the amount of debt related financing, also limiting the level of per capita debt service expenditures."

Mr. Nielsen stated that in comparing Shoreview to other cities of 25,000 to 100,000 in population, the average debt expenditure per capita is \$142, and Shoreview is at \$73 per capita.

Mayor Martin noted that the overall debt is impacted by the property the City owns from MnDOT at I-694 and Rice Street. Mr. Espe stated that the other factor impacting tax value is the remaining 2014/2015 refunding bonds. Mr. Schwerm stated that the money is being held in escrow for those refunds, but it shows as a debt service.

Mr. Nielson stated that the City's Fund Balance Policy has been keeping the General Fund balance level as long as the City is building and growing. The General Fund revenue shows \$9.3 million, which was 8.1% over the final budget as a result of the activity in licenses, permits, intergovernmental projects and charges for services. Expenditures were at \$8.8 million, 1.3 % over the final budget. He noted the pass-through of approximately \$200,000 in State Fire Aid resulted in the expenditures being slightly above budget. Without these factors, revenues would have been closer to budget and expenditures would have been under budget. Mr. Schwerm stated that charges for services relate to the engineering and administrative services for the many road projects is significantly higher because of the number of road projects that were done. He would expect that number to be closer to our long-term average in 2014 with fewer projects.

Mr. Nielsen noted that the public safety over budget correlates with the intergovernmental over revenue, which is the pass-through State Fire Aid. Property taxes make up 72% of the General Fund expenditures. Public safety is the major expense and the increase shows the pass-through of State Fire Aid funds.

Mr. Nielsen noted a table of special revenue funds, the Community Center Fund, Parks and Recreation Fund. The Community Center added \$59,000 to its fund balance which is \$23,000 less than projected in the final budget. The recreation program fund balance of \$113,000 is \$14,000 more than projected in the budget. Both these funds are impacted by the loss in investment earnings. Mr. Espe explained that the loss is not a realized loss but a paper loss at a

particular date in time. If the investments are held to maturity, the City will always get back the principal and interest earnings. City investments are mainly in treasuries, agencies, municipal bonds and some CDs. Mr. Schwerm added that City investments are restricted by state guidelines.

OTHER ISSUES

Citizen of the Year

Mr. Schwerm stated that nominations for Citizen of the Year will be solicited through the City's website, message board and local papers. The Volunteer Dinner is scheduled in November.

Councilmember Quigley stated that that there are many people who would like to volunteer in a meaningful way but do not know how to get involved.

Mayor Martin agreed and noted a study done by the Shoreview Community Foundation received a grant from the St. Paul Foundation to do a needs assessment. The results are very interesting in that they closely correspond to the results of the Community Survey. It also showed that there are people who would like to volunteer in a meaningful way and do not know how to get connected. The Council discussed a number of possible ways to attract volunteers and to inform the public about volunteer opportunities.

Employee Recognition

Mayor Martin stated that the New Employee Recognition is August 27, 2014.

Cable TV Update

Mr. Schwerm reported that member mayors appear to recognize the need for changes. A meeting is scheduled for August 11, 2014. What is being proposed is a new joint powers agreement. It is being proposed that member cities appoint an elected official to serve on the Cable Commission Board. A separate city manager operating committee will be formed. The Commission would meet perhaps quarterly. The operating committee would meet prior to board meetings to make recommendations. According to Commission Attorney Mike Bradley, negotiations are close to agreement with Comcast on a franchise document. The remaining issue is PEG fees and operating costs.

The meeting adjourned at 9:15 pm.