

**CITY OF SHOREVIEW
MINUTES
CITY COUNCIL WORKSHOP MEETING
November 14, 2016**

CALL TO ORDER

Mayor Martin called the workshop meeting of the Shoreview City Council to order at 7:05 p.m. on November 14, 2016.

ROLL CALL

The following attended the meeting:

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

Staff: Terry Schwerm, City Manager
Fred Espe, Finance Director
Debbie Maloney, Finance Department
Rebecca Olson, Assistant to City Manager
Laurie Elliott, Human Resources Director
Mark Maloney, Public Works Director

DISCUSSION OF PROPOSED 2017 OPERATING BUDGET AND TAX LEVY

City Manager Schwerm reviewed the 2017 operating budget. The tax levy recommended is \$11,085,632, which is an increase of 3.92% and slightly above what was projected in the 2016/2017 biennial budget.

The City's taxable value is estimated to increase 7.3% from \$27 million to \$29 million. The City tax rate is projected to decrease by almost 4%, and the HRA tax rate is projected to also drop slightly. Fiscal disparities increased slightly for the City this year. The additional revenue from fiscal disparities helps reduce the overall levy to a 3.17% increase.

Projected revenues are changing slightly. A small reduction to license and permit fees is anticipated. Small increases to MSA maintenance, administrative fees, engineering fees and transfers from the Utility Fund are also anticipated. Overall, this amounts to approximately \$23,000 increased revenue from 2016.

Key changes in expenditures include not hiring a Human Resources Management Assistant and a Park and Recreation Office Tech position. The result is a savings of approximately \$34,000. A 2.5% wage increase is recommended with an increase of \$30 in the City's contribution to health insurance and a \$30 increase to the City's contribution for VEBA. Wages are impacting the budget in two ways. First is the recommended wage increase and second is the fact that there have been a number of new hires in the last couple of years. Those employees are on the step

system and receive the step increase as well as the wage increase. These employees will average an additional 4% per year until they reach the top of their pay grade.

Election costs have been eliminated for 2017, but there is a provision of \$28,000 for the Community Survey.

Public safety costs drive most of the levy increase. Police costs have increased approximately 6%. This is due to negotiated wage increases that are retroactive. An investigative position has been added, as cases have increased from 800 to over 1400 in the last few years. There have also been additional equipment costs.

Fire service costs have slowed because the duty crew is now fully implemented. The increase is 3.7%. Most of the increase is due to increased wages and health insurance. A portion of the increase will fund a full-time department position that will respond to calls and also work with technology during the day shift. The total public safety costs have increased \$180,000, which is an overall increase of 1.8%.

Councilmember Quigley asked how the City ranks in productivity based on the number of full time staff positions. Mr. Schwerm indicated that the number of staff in administration and planning areas are lower, but higher in the area of Park and Recreation due to the number of recreation programs and the Community Center. It is difficult to compare with other similar cities since the City contracts for both police and fire services.

Councilmember Springhorn asked if there are any reclassifications that become exempt under new rules. Ms. Elliott explained that one position in Park and Recreation is exempt with a salary that exceeds the \$47,000 benchmark.

Mr. Schwerm stated that after several years of large increases, there is a 0% increase in the City's health insurance renewal. This first year with Medica has been very positive. The budget shows an employer increase contribution of \$30 and a VEBA contribution increase of \$30. The City covers the full cost of single coverage and pays approximately 65% of family coverage. More employees are on single coverage than family coverage. The savings to the General Fund is \$26,000. These favorable insurance rates result in an overall savings of \$66,059.

In taking advantage of the health care savings, three options were presented to the Council. The first option would be to apply that savings to the General Fixed Asset Revolving Fund, which will have a low fund balance by next year. A second option would be to dedicate the savings to payment of debt service with the imminent Community Center expansion to reduce future levy increases. A third option would be to reduce this year's levy by \$26,484, which would reduce the planned levy increase to 3.68% and save \$2.29 for a median valued home.

Councilmember Johnson asked if the health insurance package compares favorably to other cities and whether it helps with recruitment. Ms. Elliott responded that it is difficult to find enough similarity among plans to make good comparisons. Mr. Schwerm added that it depends on the amount of deductible. Most cities have changed to high deductible plans. Ms. Elliott stated that the City's high deductible is \$3,000/\$3,000 maximum per person; the low deductible is

\$1,500/\$3,000 maximum per person. Cities are moving toward high deductible plans because of the better rate. Mr. Schwerm noted that most employees with family coverage opt for the \$3,000/\$3,000 maximum per person which is a lower premium. The VEBA contribution of \$150 per month per employee equals \$1,800 a year and is designed to offset some of the high deductible.

Councilmember Johnson asked what changes are anticipated with the change in the Presidential administration in January. Mr. Schwerm stated that there would not be much impact to the City because the City's plan is not tied to a national plan. Ms. Elliott added that currently, an employer is required to pay health insurance for anyone working 30 or more hours per week. The Senate has changed that to 40 hours a week, and that may become a new regulation. She further noted that retiring employees have the option to continue with the City health insurance plan until age 65 at their cost. While it increases the potential for claims, it also increases the revenue pool for the City.

In taking advantage of the health care savings, three options were presented to the Council:

- Option 1: Apply that savings to the General Fixed Asset Revolving Fund, which will have a low fund balance by next year.
- Option 2: Dedicate the savings to payment of debt service with the imminent Community Center expansion to reduce future levy increases.
- Option 3: Reduce this year's levy by \$26,484, which would be an increase of 3.68% or \$2.29 per median valued home.

Mayor Martin stated that another area for possible savings would be to not do a full Community Survey for \$28,000 in 2017. She suggested a modified community survey that would be done more often. That would reduce the cost to close to \$15,000 and would save almost \$15,000. She would prefer Option 1 or 2. Mr. Schwerm noted that some cities are beginning to use a different firm to conduct the survey and have had positive results. There are local comparisons as well as national comparisons. He suggested inviting representatives in to meet with the Council.

Councilmember Quigley stated that the Community Survey is a stabilizing factor in knowing the attitudes and opinion of the community. Mr. Schwerm stated that the budget is for one major survey every four years and a smaller survey in between. A small survey was done in 2015.

Councilmember Johnson noted that the survey does not significantly influence decisions and possibly could be done every 4 years. She added that through social media the City is more aware of issues, even though the information is not as scientific.

Councilmember Wickstrom favored Option 1. People would rather see maintenance of existing balances, even if there would be a transfer in the future. Mr. Schwerm noted that putting more money in the General Fixed Asset Revolving Fund does provide flexibility to help the fund balance or transfer it for use of debt service.

It was the consensus of the Council to use the health insurance savings to put in the General Fixed Asset Revolving Fund, Option 1.

Councilmember Johnson expressed her strong support for public safety but questioned whether there could be push back on the amount of increases. She would like to see the Sheriff's Department have squad car cameras. Mr. Schwerm responded that the negotiated wage increase is having its effect this year.

Mayor Martin agreed that it is good to question, but there is still a savings \$2 million to \$3 million a year by not having a separate City police force.

Mr. Schwerm noted other funds are doing well, although the Park and Recreation Fund is down, mostly due to lower participation in Summer Discovery. The reason is children are older and parents are finding that the cost of care at home may be less than the Summer Discovery Program. The Council discussed ways to advertise and promote the program, as it brings in significant revenue.

Utility Funds

Mr. Espe stated that the only fund recommended for a further increase from what was projected in the biennial budget is the Water Fund. An increase from 8% to 12% is proposed. The additional increase would generate \$125,000 to cover additional costs. A contractual cost adjustment of \$45,000 from last year was missed and must be covered. There are also consultant fees and software costs. Mr. Schwerm stated that the City estimates sales of 880,000 gallons per year. That may not be realistic anymore, as there are so many conservation efforts. This year, pumped water is much less than projected. The proposed increase would increase utility bills by \$5.91 per household per quarter for the Average Tier. High usage would be an additional \$13.27 per household per quarter; low usage would be an increase of \$.92 per household per quarter. Very Low, Low and Average usage will see a 7.3% increase. Above Average will be 7.6% increase, and High and Very High usage will respectively increase by 9.3% and 9.7%.

Mr. Maloney stated that in regard to sewage usage, the City has received caution letters from the Metropolitan Council even though sewer lines are being relined. The problem is not in the public lines but in the private lines where the City has little control as to construction materials. The City's investment in the sewer system has prevented having to pay surcharges.

Councilmember Wickstrom asked about a report on the Community Investment Fund. Mr. Espe stated that the Community Investment Fund is shown in the CIP for projected spending the next five years.

DISCUSSION OF PROPOSED PARENTAL LEAVE POLICY

Human Resources Director Laurie Elliott explained that a parental leave policy is being proposed to help a delivering parent retain leave. The new policy would allow three weeks of paid time for a birth or adoption for both mother and father. To qualify, an employee must have worked for the City at least a year and at least 20 hours a week. This would not impact Community Center staff. She has found five other cities offering this benefit. After the three weeks, there would be short-term disability with 66 2/3 pay for 4 to 6 weeks for a delivering mother, or 4 to 8

weeks for a C-section delivery. It is a self-funded program. A 12-week leave is offered that most take. This program offers six weeks that are covered.

Mr. Schwerm added that when employees return with no leave left, they still need to take time when children are sick or have doctor appointments.

It was the consensus of the Council to move forward with adoption of this policy.

GOVERNMENT ALLIANCE ON RACE EQUITY LEARNING COHORT

Presentation by Assistant to City Manager Rebecca Olson

The Government Alliance on Race Equity Learning Cohort is a network of multiple jurisdictions. They work with the Center for Social Inclusion. This is a relatively new, national program that involves over 100 jurisdictions in the nation on how they can help with racial equity. The work involves a commitment for a year of 10 monthly sessions. Resources are provided to begin discussion of this issue in the community and understanding of what is in people's power to change. A key is understanding the tipping point within an organization. The tools are given to train the trainer who returns to the organization to train others.

Mr. Schwerm stated that Woodbury is one city that has been working to become more welcoming as a community and as an employer for the past year. The cost for a year would be \$8,000 for 5 to 9 people to attend. The money would be taken from the education and training allowance.

Ms. Olson added that the training includes looking to see where there are inequities within the institution that can be changed. A lot of the learning is awareness and how to communicate.

Mr. Schwerm stated that he estimates approximately 7 employees to attend.

Councilmember Johnson stated that there are many training groups available, and it needs to be determined which are good ones.

Ms. Olson explained that the training is promoted to start within with staff because that is where there is control. Partnerships are key within the community to expand the training to the Community Foundation and other groups. Ms. Olson stated that one example given is public hearings. Because of the time the public hearing is held, a disproportionate number of people of color cannot participate because they work on the second or third shift. Immigrants may not trust government because of past experiences.

Councilmember Quigley noted that there are added costs of the employee's time, mileage and the time of other employees filling in for absences. His concern regarding training is seeing outcomes for the amount of cost. He noted that the police and Fire Department have different perspectives on racial equity and public safety. Implied bias is a given without any evidence to prove it occurred.

Mayor Martin stated that there has not been a lot of diversity in Shoreview, but it will increase. Community building and outreach needs to be part of updating the Comprehensive Plan. This training would be a start to deal with this grave issue. While specific circumstances cannot be identified, she would like to know that Shoreview is a welcoming community and initiatives have been taken to learn insights that help staff be welcoming to all people. The cost is reasonable.

Councilmember Springhorn stated that the training needs to be bigger than sensitivity and focus on systemic structures that are racially unequal that staff is not aware of. He noted the diverse group that attended the Lighting Ceremony earlier in the evening.

Mayor Martin stated that at the Lighting Ceremony one individual came to her to ask about more street lights in his neighborhood. This is a person who probably would not know how to reach her otherwise and just happened to see her at this event. Training would help government to be more accessible and help residents to understand they can talk to their leaders and be involved in a meaningful way.

Councilmember Quigley stated that he has participated in such training that was done in 35 states, but it did not result in a good record of diversity for a variety of reasons. Ms. Olson responded that one outcome could be to build a partnership with the leaders of those communities and train those leaders to spread the word throughout the community. She explained that the training is not about diversity. It is about race, equity and equality.

Councilmember Wickstrom stated that the perceptions of minority people are different, and they need to be heard. The word “Cohort” is a negative word and needs to be changed. She inquired about the potential for representation from the police and fire departments.

Councilmember Springhorn stated that although the demographic shows 14% minorities in Shoreview, it is probably at a higher percentage now. This training is important to welcoming a diverse staff and residents.

It was the consensus of the majority of the Council to move forward with offering this training to staff.

OTHER ISSUES

Mayor Martin noted an upcoming vacancy on the Planning Commission at the end of the term in January.

The meeting adjourned at 9:45 p.m.