

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
December 6, 2010**

CALL TO ORDER

Pursuant to due call and notice thereof, a regular meeting of the Shoreview City Council was called to order by Mayor Martin on December 6, 2010, at 7:00 p.m.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance to the flag.

ROLL CALL

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

APPROVAL OF AGENDA

Mayor Martin stated that item No. 13 on the agenda, Abatement Assessment Hearing, will not be necessary, as payment has been received.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Withhart to approve the December 6, 2010 agenda as amended.

VOTE: Ayes - 5 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

There were none.

CITIZEN COMMENTS

Mr. Al Dubiak, 4050 Crestview Lane, expressed concern about the City becoming a lender and asked how underwriting is done on City loans for businesses. Further, he asked if the dollars being used for the loans must be used or lost.

Councilmember Huffman responded that expert agencies are underwriting the business loans. The City's portion of such a loan would be a maximum of 30%. The majority of the loan would be underwritten by a bank or other funding authority. The money available must be used for business purposes and cannot be brought back onto the tax roll.

Councilmember Withhart added that the State of Minnesota loosened some restrictions on Tax Increment Finance Districts (TIF) in an effort to stimulate the economy.

Mayor Martin stated that the money will be lost if it is not used by the end of July 2011. Mr. Schwerm added that the tight deadline is to spur the economy through job creation. With the easing of restrictions, approximately \$1.5 million became available in one TIF district in Shoreview. If the money is not used, it will be redistributed among the taxing jurisdictions when the district expires.

Mr. Dubiak asked if the City has a large unfunded pension liability. Mr. Schwerm stated that Shoreview employees belong to the state fund that is funded by contributions from employees and employers. Shortfalls have been addressed with increased contribution requirements. The City does not have an unfunded retiree health insurance liability. State law mandates that retirees be allowed to stay on the City's health program, but the City requires that they pay their own premiums.

Mr. Dubiak complimented the City Council and City staff on the AAA bond rating from Standard & Poor's because there are not many who have that rating.

Mr. Jerry Weaver, 37 North Dale, encouraged the City to rethink lending money because of the possibility of bad loans. If a business needs financing and cannot get funds from a local bank, governments should not be giving loans. It is an unfair practice to have City-sponsored loans supporting businesses because the City will support those businesses over other competitors.

Mayor Martin stated that information as to the recipients of the loans is kept confidential.

COUNCIL COMMENTS

Mayor Martin:

The City has changed recycling contractors and will be working with Allied Waste. Residents will be receiving a blue recycling bin to begin using in January. Leave the green and yellow bins at the edge of the curb at the end of December and they will be picked up. Recycling will be the same items. The first pickup with the new blue bins will be January 10, 2011.

Shoreview Northern Lights Variety Band will present its Holiday Concert, Saturday, December 11, 2010, in Benson Great Hall, at Bethel University, at 7:00 p.m. There are carriage rides from the parking lot beginning at 5:45 p.m., and there will be pre-concert entertainment.

The Sister City Organization will have a presentation on a tour being planned to Einhausen next Sunday, December 12, 2010, at the Community Center.

Congratulations to Peggy Wedell who has been named Citizen of the Year for her many volunteer activities in the City.

Mayor Martin noted receipt of an email from a North Oaks resident complimenting pool life guard staff at the indoor water park for quick, responsive action to a young swimmer who was in trouble.

Councilmember Wickstrom:

Noted that if residents received a recycling bin that is not the right size, they can call 952/941-5174, or City Hall to get it changed.

Councilmember Withhart:

Encouraged end-of-year charitable contributions to the Shoreview Community Foundation, which gives grants to local groups in the community.

Councilmember Withhart requested a review of Community Center hours during the holiday season. Mr. Schwerm stated that the only day the Community Center will be closed is Christmas Day. On Christmas Eve, it is open from 5:00 a.m. to 4:00 p.m. On New Year's Eve, it is open from 5:00 a.m. to 4:00 p.m. and it will reopen on New Year's Day at 8 am.

CONSENT AGENDA

Councilmember Withhart requested that item No. 3, November 15, 2010 City Council meeting minutes, be pulled for separate consideration.

Mayor Martin noted a correction to the November 15th minutes on page 9. The name Mary Haag was misspelled and should be corrected.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to adopt items on the December 6, 2010 Consent Agenda, approving the necessary motions and resolutions for item Nos. 1 through 11 with the exception of item No. 3:

1. November 1, 2010 City Council Workshop Meeting Minutes
2. November 8, 2010 City Council Workshop Meeting Minutes
4. November 22, 2010 City Council Workshop Meeting Minutes
5. Receipt of Committee/Commission Minutes:
 - Environmental Quality Committee, October 25, 2010
 - Human Rights Commission, October 27, 2010
 - Public Safety Committee, November 18, 2010
 - Environmental Quality Committee, November 22, 2010

6. Verified Claims in the Amount of \$746,009.42
7. Purchases
8. Extension of Minor Subdivision - 1345/49 Meadow Avenue
9. Developer Escrow Reduction
10. Change Order #1 - 2010 Pavement Rehabilitation, CP 10-08
11. Change Order No. 1 and Payment #2 (Final) - Milton Street Storm Water Treatment, CP 10-05

VOTE: Ayes - 5 Nays - 0

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to approve item No. 3 of the Consent Agenda, November 15, 2010 City Council Meeting Minutes as corrected.

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

Councilmember abstained as he did not attend the November 15th meeting.

PUBLIC HEARING

BUDGET HEARING - REVIEW OF 2011 BUDGET AND TAX LEVY

Presentation by Finance Director Jeanne Haapala

The budget objectives for 2011 are:

- To balance the General Fund budget
- Address in the adopted levy the loss of \$350,000 in Market Value Homestead Credit
- Maintain existing services and program with efficiency and within the levy limit
- Meet debt obligations
- Maintain the City's recent upgrade to a AAA bond rating
- Replace infrastructure in a timely manner
- Continue long-term replacement planning - bond rating agencies very much like seeing this type of planning
- Continue 5-year operating planning
- Protect parks, lakes and open space
- Position the City to address future challenges and opportunities through activities such as:
 - Maintaining and revitalizing neighborhoods
 - Encourage business expansion and reinvestment
 - Assist in redevelopment
 - Utilize technology to improve services and communications

The tax levy as proposed would increase 3.6% from 2010 to 2011, or \$310,000. This is the amount to be collected and does not include cuts from the state. Out of the \$310,000, there is

\$115,000 for public safety. Yet Shoreview ranks among the lowest for public safety costs in comparison to other cities because of the way services are delivered. The main items driving the levy up are:

- | | |
|------------------------|-----------|
| • Public safety | \$115,322 |
| • Debt payments | 60,000 |
| • Capital replacements | 100,000 |
| • EDA | 25,000 |
| • Capital improvements | 10,000 |

All other changes to increase the budget in 2011 amount to \$412.00.

The preliminary levy adopted by the City Council in September has been reduced by \$109,000. The City's proposed levy is \$376,000 under the levy limit allowed by state law.

Strategies the City is implementing to reduce the budget as much as possible include:

- Contract for police and fire protection;
- Increase use of correctional crew to keep costs lower for certain service areas
- Eliminate full-time administrative position
- Increase permit and plan check fees, which does not result in increased revenue because the number of permits is decreasing;
- Reduce forestry contracts with use of correctional crew;
- Maintain no contingency allowance for unanticipated events;
- Reduce tax support for Community Center and *Slice of Shoreview*;
- Focus on plan for long-term preventative maintenance

Based on all preliminary levies from all taxing jurisdictions submitted to the County, including Shoreview's revised levy, a median valued home now at \$249,000 will have a total tax bill of \$3,308. Of that total, the City portion is \$724.00, or about 22%. Ramsey County receives the largest share and second is the school district.

Information from the League of Minnesota Cities and the State Auditor is used for taxing and spending level comparisons with other cities closest to Shoreview in population. In 2010, the median value home in Shoreview is \$262,000. The comparison shows the City tax of Shoreview fifth lowest in this comparison. For the school district, Shoreview compares at approximately 5% below average in the tax levy. The special district portion of the levy shows Shoreview 16% above average. Ramsey County is one of the highest taxing counties in the metro area. The County tax in Shoreview is 29.6% above average. The total tax bill shows Shoreview in the mid-range.

The largest portions of City property tax dollars are spent as follows:

- Public safety, the largest share of tax dollars is 28%
- Replacement funds, 21%
- Parks and recreation administration and park maintenance (not Community Center or programs), 20%.

Budget

Property taxes provide the most of the funding revenue for the General Fund operating costs, approximately \$6.3 million. The second largest source of revenue comes from charges for services, which is over \$1.1 million from engineering and administrative service charges. General Fund spending for such items as general government, public safety, public works, parks and recreation, shows a total expense increase of 1.9%. The total of all operating funds shows an increase of approximately 1.2%.

The Ramsey County Assessor has determined that of the 9,435 parcels in Shoreview, 19 have increased in value. Properties with no change in value total 1,961. Of the remaining parcels, over 50% show a decrease in value of more than 4.9%. The sample parcel values show the same amount of City tax at each level for the same value home. The total taxable value in the City is divided by the tax levy to get the tax rate, and that tax rate is multiplied across the value of each property. Properties with different values have different tax bills. A median valued home that maintains the same value in 2011 will experience a City tax rate increase of 11%. However, a median valued home in 2010, at \$262,200, that drops to the median value of \$249,350 in 2011, or a 4.9% decrease still shows a tax rate increase of 5.1%.

The state also has a percentage classification system for the market values of properties. The market value is converted into taxable value. The classification percentages are different for properties valued above \$500,000. This classification system makes it very complicated to compare one property to another.

If Shoreview were to cut \$100,000 from the levy today, that would mean a \$9.00 per year change in the tax bill for a median valued home. In order to lower City taxes significantly, a cut of significantly more than \$100,000 would have to be made.

On December 20, 2010, the City Council will consider adoption of the 2011 budget, tax levy, capital improvement program and utility rates. Also, at that time a Comprehensive Infrastructure Replacement Plan and a Five-Year Operating Plan will be formally received by the City Council. Ms. Haapala referred residents to the appeal information on the back of the tax statement. The best time to appeal is in the spring when value notices are received.

Mayor Martin opened the public hearing.

Ms. Joyce Thompson, 4746 Victoria, commended staff on the presentation. One thing that was not covered is the fact that utility bills will go up significantly. Her City portion of her tax bill is going up 5.2%. That is significant. Recycling service costs are also going up. Referring to a chart, she noted that taxes in Shoreview have risen 86% since 2001, which is an 8.6% increase per year. She asked if revenues from the indoor playground equipment justify the \$50,000 expenditure two years ago. This is all hurting property owners. There is no money coming in.

Mr. Dubiak stated that the number he sees for total revenue at \$23,426,000, not the \$8 million figure referred to in the presentation. Mr. Schwerm explained that the numbers referred to in the presentation focus on the General Fund, which is property tax supported. The \$8 million revenue is accurate in terms of the property tax levy. The overall budget has over \$23 million in revenue, which includes all utility funds--water, surface water, sewer, street lighting--and special funds, such as the Community Center Fund and Recreation Programs Fund. The focus of this hearing is the tax levy and the general fund operating budget, since that is primarily supported through property taxes.

Mr. Dubiak stated that the \$8 million is one-third of the overall revenue. How can citizens review the other 66%. He asked if there is another time when citizens can discuss other expenditures. There is no discussion about the other \$16 million in revenue. Mr. Schwerm stated that there are not specific hearings for the other expenditure areas, such as utility rates and user fees at the Community Center. They are reviewed by the Council as part of the budget.

Mr. Dubiak stated that only one part is presented. He does not know if the Community Center is doing well or not.

Mayor Martin emphasized that the Council looks at every factor as part of each decision. Rather than looking at the huge overall budget, the focus at this hearing is on the items that impact the tax levy. Mr. Schwerm added that in past years at this public hearing, the City staff has presented more information on the total budget including utility fees and capital projects. However, the presentation was over an hour in length and people at the hearing were frustrated over its length, so City staff has attempted to streamline the presentation.

Mr. Dubiak stated that it may be the time to say not all the services provided in the past cannot continue to be maintained. He does not know if that refers to the \$8 million or \$23 million. He urged the Council to consider whether services can be continued at the same level to respond to current economic conditions.

Ms. Haapala noted that the budget handout does discuss all of the City operating funds. The total budget is on pages 14 and 15. The following pages discuss all of the utility funds, debt service funds and operating budgets.

Mr. Barry Weaver, 4637 Dale Street N., thanked and commended the Council and staff for all the time and effort in this presentation and for helping residents to understand where the money

is going. He is proud to live in Shoreview that was recently declared in the newspaper to be the number one community in which to live in the metropolitan area. Shoreview is clean, well run, model city. Unfortunately, everyone is faced with financial difficulties as the economy struggles. It is his hope that City employees will begin to hear what constituents/ taxpayers/stockholders/employers are saying. Everyone needs to be more prudent and come to terms with overspending. From 2011 to 2014, a \$2 million increase is forecast for the budget. This needs to stop. He acknowledged the cuts made but suggested further reductions in each department or perhaps pay cuts or cuts in benefits. He wants to hear that the City is on a campaign to reduce spending. There is no guarantee that revenue will continue to increase, and adjustments need to be made for that. Expenses are shown to be close to the amount of revenue taken in. His suggestions included reducing the \$2 million for parks, not mowing every week, asking employees to make cuts, not replace tires at 40,000 miles but extend it 5%, extend vehicle leases another year, not update computer software. Costs need to be reduced, not expanded. Minnesota has not experienced the economic impact of Detroit, Milwaukee, California. Shoreview is not bankrupt. He commended Finance Director Jeanne Haapala for refinancing debt that saves the City \$210,000. Are other employees or the Council offering saving ideas? There is a financial crisis in the world that is affecting everyone's property values. He is not against the City Council's work, but there needs to be more accountability. He would like to see the budget reduced in the next five years because revenues will go down. He thanked residents who were in attendance and urged them to come to other Council meetings when the work is being done. He is particularly concerned about a \$22 million budget and \$22 million in revenues. He urged further savings and less spending so property taxes do not have to continually increase. Continued higher taxes will mean residents will have to sell and move.

Mr. Chris Wolf, 5663 Eric Lane, agreed the Council and staff have done a great job. Residents want to see a reduction in the tax burden. The \$8 million of the General Fund is not the only thing affecting the levy. The entire \$24 million of revenue have to be considered. When the economy is this bad, he does not understand how any increase can be palatable to anyone in Shoreview. It does not matter that the City portion of his tax bill is small. He will not be happy without a zero increase. Benefits, pensions and health care need to be reviewed. Why does White Bear Lake have lower taxes? That is a good place to live, and how do they manage so effectively?

Mr. Roger DeMars, 700 Sunset Court, asked how the median value home of Shoreview compares with the median value of the other communities in the comparison chart.

Mr. Dave Nelson, 5566 Alameda Street, stated that City knows how to make a budget. When he looked at his tax statement, he was surprised to see the school district levy is less than Ramsey County and less than Shoreview. His taxes went up 12.72%. His income increase this year is zero. Shoreview is a great place to live, but he does not want people to have to sell and move because of taxes. He urged the Council to adopt a zero increase budget. He does not believe the message is for residents to experience an increase of just under 13%. He would like to see the budget reworked.

Mr. Glen Elliott, 744 Randy Avenue, stated that he has lived in his home over 40 years and would like to stay. However, he is on Social Security, which has not seen an increase for two years. He is a conservative investor and saver and needs to keep funds in savings. Willing to do without some city services and delays. Residents are not able to pay these taxes. He is willing to do without some things in Shoreview. There is discussion of more tax cuts and more spending. It cannot continue. The message from residents is to cut, cut, cut the cost of government. He urged the Council to listen because these taxes are affecting people personally.

Mr. Gavin Jones, 710 Schifsky Road, asked for clarification about the reduction of \$109,000. All residents in their family budgets and within their employment are being forced to do more with less. It is hard to understand how revenue will increase from \$21 million to \$23 million. He works for one of the largest technology companies in the world and was forced to take a 5% pay cut across the board. He is looking at anything and everything to lower his own costs. He urged the Council to look at a flat budget until the economy improves. He suggested a full audit of all City finances and making it available for public disclosure. He also asked when the last consultant efficiencies of scale were done, whether there is opportunity to combine with other cities in the area to gain efficiency.

Mr. Bart Reigstad, 5904 Prairie Ridge Drive, stated that he understands that to find out the total assessed value on a property is from the County. The City then considers the amount needed for operations and then decides what taxes need to be. He is on a fixed income and making 1% on his investments. His property value has decreased 30% to 35%. He asked if those who create the budget have information on how many residents do not have jobs, people who now have lower incomes and do not have the ability to pay taxes. He does not have the ability to pay for what he paid for five years ago. His question is whether the City has the ability to continually increase expenditures.

Mr. Jim Steiner, 584 Kent Circle, stated that he has been a Shoreview resident for over 30 years. He has noticed that government, not just Shoreview, is getting bigger with more buildings. He asked the cost of the Maintenance Center. It used to be that a pole barn was sufficient to protect vehicles from winter weather. Society has become a competition to keep up with the neighbors. He urged responsibility rather than excess. The Fire Department is a quasi-government operation. The trucks would sit in a pole barn just as well as brick buildings. Some things are too late, but he would appreciate real study of big ticket items in the future and whether they are really needed.

Mr. Vince Craigmile, 545 Tanglewood, stated that there have been warning signs at other government levels to stop spending. The recent election is a statement to stop spending so much money and accruing debt. Minnesota is not a business friendly state because more and more is

spent on government. The Dakotas reap the benefit of businesses moving to those states. The warnings are to be more competitive and efficient. He is self-employed and knows how to react to the business climate with foresight, not after the fact. If people cannot afford Shoreview, they will leave.

Mrs. Deb Craigmile, 545 Tanglewood, stated that the message is that a tax increase is not needed. Her suggestion is to turn over every single stone in the budget. The course offering list at the Shoreview Community Center does not indicate every stone overturned. She believes there is more revenue opportunity in rates at the Community Center. Childcare at \$1.00 per hour can be increased. The voice from residents consistently is no tax hike.

Council/Staff Response

Mayor Martin stated that the Council has been going over the budget for the last six or seven months. The process the City pursues is for each department to meet with Ms. Haapala and Mr. Schwerm before the budget even comes to the City Council.

Mr. Schwerm stated that the utility rate increases are due to the fact that both the water and sewer funds have been operating at a loss for several years. The City Council has been making an effort to reduce those losses, an effort that has been commended by the bond rating agency. This year the utility rate will go up 9.6%, which is approximately \$9.00 per quarter. The increase is an effort to reach a fund balance that will allow more moderate increases in future years.

The recycling charge is a result of a new recycling contract. The City received three recycling proposals. The City opted for the least expensive proposal, which is a cost increase of 5% to 6%. Some firms had more variability built into their rates structure. The firm chosen proposed a stable rate structure.

The indoor playground installed in the Community Center has proven to be very successful with a two-year payback for that project. There has been a tremendous increase in daily use and the number of family memberships. The increased usage has allowed a reduced transfer from the General Fund to the Community Center.

Financial accountability is done in many ways. An audit is done each year and posted on the City's website. Reviewing our audited financial statements is the best methodology of knowing the City is financially accountable. The City's bond rating that has been upgraded twice in the last 13 months, which is a good indicator of the credit worthiness of the City and its overall financial strength and accountability.

Mayor Martin stated that the bond rating agency has commended the City for not using short-term fixes with respect to its budget. Cities who are not proposing a tax increase are using their reserves and spending down their fund balances and not addressing the future. Shoreview is

focused on the future. The Council has studied numerous details of the budget including a proposal for decreasing the number of port-a-potties in parks. However, the Council kept in mind that even a \$100,000 reduction in the tax levy would only decrease taxes \$9.00 per year per year on a median value home. Further reductions, while possible, would impact City services and programs and potentially hurt future generations of Shoreview residents.

Mr. Schwerm stated that Shoreview's median home value is a consistent comparison of that same property value across all the comparison cities. Ms. Haapala stated that the comparison of a \$262,000 value home in Shoreview is to a home valued at \$262,000 in each of the comparison communities.

Councilmember Huffman stated that most City spending is irrelevant to the property value. He referred Mr. Demars to page 9 of the Benchmark document. Spending per capita occurs irregardless of house value.

In response to Mr. Jones' question regarding the \$109,000 budget reduction, Mayor Martin stated that the Council reduced the budget by \$88,000 even before adoption of the preliminary levy. The preliminary levy is a not-to-exceed amount. After the preliminary levy was established, the Council looked at further reductions. That is where the administrative position was cut as part of the additional \$109,000 that were cut. Mr. Schwerm added that the \$109,000 also included police contract revisions for a savings of \$14,000. Additional revenues came in through building and plan check permit fees. The EDA levy was reduced by \$10,000, and forestry contract work was reduced by \$5,000 in anticipation of using a correctional work crew.

Councilmember Withhart stated that a couple of years ago the City did make a major change in its health insurance plan that is now similar to catastrophic coverage. There have been significant savings to the City. Even so, health insurance costs have been creeping up. There has been discussion about cities merging, but that has not been warmly received. Further, Shoreview is the largest city in the State of Minnesota that contracts for police protection. By doing that, costs are shared with other cities. The same is true for fire protection. Still, those contracts have been increasing in cost. It is becoming more and more difficult to give 24/7 fire protection coverage in the City with volunteers. The concept of duty crews is being implemented to address this issue. That means that at certain hours a certain number of firefighters will be on duty and will be paid. That increases costs, but without good fire protection coverage in the City, residents could see increases on home insurance for fire protection.

Councilmember Wickstrom stated that she would like to see market value homestead credit taken off the tax statement. This is formula the state uses to give credit on property taxes. The credit given is supposed to be reimbursed to the City, but that reimbursement has been cut, and the City has to account for it in the levy. In 2011, the amount is \$350,000 that the City has to account for in the levy. The levy could have been reduced by that amount if the state had not made that cut. She asked who benefits from that credit. Mr. Schwerm stated that the credit is

issued to the county, but not to the City. It is applied to homes up to approximately \$400,000 in value.

Ms. Haapala further explained that the market value homestead credit was started in 2003 in an effort to buy down property taxes in lower valued homes because at that time there was a change in state statute to shift property taxes from high valued homes to low valued homes. This measure was intended to buy down those taxes. When the state cut Local Government Aid (LGA, which the City has not received in many years) and still could not reach its intended target, the state started eliminating reimbursement of market value homestead credit. However, this is not consistent with all communities. Some cities still receive LGA and market value homestead credit. Some receive a portion. It all depends on the state's decision.

Councilmember Huffman stated that the Council and staff agree that this makes no sense, but it is not an issue that the City can address.

Mayor Martin noted that when the City first learned there would be no receipt of market value homestead credit a couple of years ago in the amount of \$500,000, significant cuts were made at that time. Staff was reduced by 3.5 positions. It was correctly anticipated that the City would never see that money again. This issue is brought loudly to the attention of legislators, when the Council meets with them. The property tax credit that the state takes credit for is actually being provided by Shoreview taxpayers.

Mr. Schwerm responded to the comment that White Bear Lake has low taxes. The advantage for White Bear Lake is that it receives over \$1 million in LGA that Shoreview does not receive. He noted on page 9 of the Benchmark document that in per capita spending White Bear Lake ranks second low; Shoreview ranks third low. Shoreview spending is very comparable to White Bear Lake, but White Bear Lake has different revenue sources with LGA. Further, in regard to Community Center rates, they will increase by 2% and 3% next year. He acknowledged that the childcare program loses money. It is considered a support program for the Community Center, which is why the fees are so low. Other fitness clubs provide free child care. The fees were higher a few years ago, but the service was not used. However, over 90% of recreation programs are paid for through user fees. The transfer of property tax dollars to the Recreation Programs fund is approximately \$75,000. He further stated that if the tax levy were flat, Shoreview residents whose property values remained the same would still see an increase over 6% in City taxes.

Councilmember Withhart stated that it has been a long-term policy in the City to add money to the street renewal fund from the levy. As streets wear out, the street is replaced at no cost to residents. The City is committed to replacing all streets when needed. He noted that other communities have special assessments of 100% of the cost to residents.

Mayor Martin added that the City's assessment policy is one of the most generous in the metropolitan area. Even on a new street, residents generally pay less than 20% of the total

project costs. The budget could be reduced by \$100,000 by not putting \$50,000 into the Street Renewal Fund and by not putting \$50,000 into the General Fixed Asset Revolving Fund. Those are huge numbers that impact the levy. Those numbers also impact the City's future, which is what the bond rating agencies look at favorably. She does not want to leave the City without funds for the next generation. That is what is so difficult. There may still be some opportunities for reductions. The Council will be looking at the budget even earlier next year because 2012 will be even tougher. The state has a \$6 billion deficit to make up and there may be other ways the City is hurt in revenue. The Council will look at everything every time.

Mr. Josh Wing, 4271 Hodgson Road, asked for clarification on the transfer of funds to the Community Center. It looks like \$300,000 from the General Fund, not \$80,000. Ms. Haapala explained that the \$80,000 of the transfer to the Community Center fund is from the Recreation Program Fund. The \$230,000 transfer from the General Fund to the Community Center Fund is for the free use of rooms provided to community oriented groups.

Mayor Martin added that it is not really a transfer but a levy to support the Community Center as a Community Center so residents have access to rooms at no cost.

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to close the public hearing at 9:15 p.m.

VOTE: Ayes - 5 Nays - 0

Councilmember Huffman thanked residents for their thoughtful and respectful comments and questions. In regard to opening books and access, budget information is online. The information is available. The 2011 budget boils down to three complicated issues. One is long-range future financial planning. Should the \$100,000 be cut from street and capital replacement levies that are planned to replace the City's infrastructure in the future? Secondly, one-third of the budget increase is for public safety services. Lastly, is whether to keep other services at the current level.

ADJOURNMENT

MOTION: by Councilmember Withhart, seconded by Councilmember Huffman to adjourn the meeting at 9:17 p.m.

ROLL CALL: Ayes - 5 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 20th DAY OF DECEMBER 2010.

Terry C. Schwerm
City Manager