

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
December 20, 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 20, 2010, at 7:02 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

MOTION: by Councilmember Withhart, seconded by Councilmember Huffman to approve the December 20, 2010 agenda as amended.

VOTE: Ayes - 5 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

There were none.

CITIZEN COMMENTS

Mr. Jerry Weaver, 4637 N. Dale Street, Shoreview, congratulated the Council and staff for the move of Cummins to Shoreview, which will help revenue and property taxes. He wished to remind the Council of the citizen concerns voiced against a property tax increase. Cities around Shoreview, such as Lino Lakes, St. Paul and Forest Lake, have a zero levy at no increase. Maplewood will have a small increase. Two weeks ago, citizens stated that the City needs to find a way to balance the budget without increasing property taxes. According to the *Shoreview Press*, there will be an overall 5.1% increase on average homes. Increases just keep mounting up and will eventually break people like the dome. He requested that the City hold off on capital spending and cut funding for parks and recreation so as not to increase the levy. Shoreview is in good shape and does not need to continue an increase in spending.

COUNCIL COMMENTS

Mayor Martin:

Commended the Public Works crews who did an excellent job removing snow in an epic storm last weekend. Trails are not being cleared as quickly as people would like because of needed equipment repairs. Also, with this amount of snow, the County pushes snow back onto trails when it plows and some trails need to be plowed multiple times. Trails around schools are cleared as quickly as possible.

There will be a change in recycling for Shoreview. December 27th through 31st will be the last week residents use the green and yellow bins. They should be left at the curb to be picked up. In January, residents should use the new blue bins that have been delivered.

The Sister City Organization is planning another trip to Einhausen, Germany in July. Einhausen is located near Heidelberg, south of Frankfurt. Travelers are able to stay with families and experience the culture of Einhausen. The tour will also include northern Germany. There is still room for anyone interested. The City website has all the information.

Mayor Martin encouraged purchase of a great Christmas present of an annual year or seasonal membership to the Community Center.

Councilmember Huffman:

Last weekend all City rinks opened at City parks.

On New Year's Eve, there will be a family oriented jungle adventure theme party at the Community Center from 6:00 to 9:00 p.m. to celebrate the new year.

Also, at the Community Center the week after Christmas there will be a school's out daycare program operating.

Councilmember Withhart:

The Shoreview Northern Lights Variety Band gave a wonderful performance at this year's concert. For those not able to attend, think ahead to next year and go if you can. The band is a great ambassador for the City.

He received several contacts from residents about trails being cleared. As Shoreview ages, a lot of people are out walking for exercise. Hopefully, the parts have arrived for equipment repairs and the trails can be cleared as soon as possible.

He also received a telephone call to thank the City for the *Letters from Santa* program. Children were excited to receive a letter from Santa.

Councilmember Wickstrom:

Received emails requesting a stop sign at Pascal and Terrace. She looked at the intersection and trees definitely need trimming. She requested staff to further look into the request and recommend whether a stop sign is warranted.

An email was received asking why townhouses are not included for the City's low energy loans. She would like consideration given to adding townhouses to this loan program.

Councilmember Huffman responded that the program is being implemented in phases. Townhouses are anticipated to be included in the next phase.

The January meeting of the Shoreview Green Community Committee will show a movie about the troubled waters of the Mississippi River. The meeting is January 5, 2011, at the Community Center, at 7:00 p.m.

Councilmembers wished everyone Happy Holidays and a Happy New Year.

CONSENT AGENDA

Item Nos. 6 and 15 were pulled for separate discussion.

Mayor Martin noted No. 6 on the Consent Agenda, which is the Council's receipt of the 2011 Comprehensive Infrastructure Replacement Plan. This plan identifies all assets in the community that will need to be replaced 40 years out. The City never only budgets for the next year but is always looking ahead at upcoming replacements far into the future. Shoreview is one of the first cities to be recognized nationally for its Infrastructure Replacement Plan.

In regard to No. 15, License Applications, Councilmember Wickstrom asked if anyone applying for a license is delinquent on taxes. Mr. Schwerm stated that applications are checked routinely as they are received.

MOTION: by Councilmember Quigley, seconded by Councilmember Huffman to adopt the consent agenda of December 20, 2010, approving the necessary motions and resolutions:

1. December 6, 2010 City Council Meeting Minutes
2. Receipt of Committee/Commission Minutes:
 - Economic Development Authority, November 8, 2010
 - Human Rights Commission, November 18, 2010
 - Planning Commission, September 27, 2010
 - Planning Commission, October 26, 2010
 - Telecommunications and Technology Committee, November 9, 2010

3. Monthly Reports:
 - Administration
 - Community Development
 - Finance
 - Public Works
 - Park and Recreation
4. Verified Claims in the Amount of \$694,510.45
5. Purchases
6. Receipt of 2011 Comprehensive Infrastructure Replacement Plan
7. Receipt of 2011 to 2015 Five-Year Operating Plan
8. Designation of Official Depositories for 2011
9. Certification of Delinquent Utility Accounts
10. Certification of Delinquent False Alarm Accounts
11. Certification of Delinquent Tree Removal
12. Adopt Ordinance Establishing Fees for Building Permits
13. Authorize Department of Corrections Agreement for 2011
14. Approve Reapportionment of Assessments for Bridge Court
15. Approval of License Applications
16. Adoption of Resolution - Election of Acting Mayor

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Withhart, Martin
 Nays: None

PUBLIC HEARINGS

There were none.

GENERAL BUSINESS

ITEMS RELATING TO THE 2011 BUDGET AND LEVY

- A. AMEND 2011 DEBT LEVIES**
- B. ADOPT 2011 TAX LEVY (CITY, HRA AND EDA)**
- C. ADOPT 2011 BUDGET**
- D. ADOPT CAPITAL IMPROVEMENT PROGRAM FOR 2011 THROUGH 2015**
- E. EMPLOYEE WAGE AND BENEFIT ADJUSTMENT**

Presentation by Assistant Finance Director Fred Espe

Debt Levy

When the City issues debt, an adopted debt levy is certified with the County. The debt levy can be increased or decreased only with Council action. Staff is recommending a debt levy of \$625,000 in 2011, which is a reduction of \$306,363.85 from what is recorded at Ramsey County.

Tax Levy

The recommended tax levy for 2011 is \$9,345,734, which is \$108,966 less than the adopted preliminary levy in September. It is also \$370,000 below the levy limit allowed by the State. Tax collections will actually be \$8,995,734, which is the loss of \$350,000 from no reimbursement to the City for market value homestead credit. The HRA levy is \$60,000. The proposed levy for adoption is an increase in tax collections of 3.54% from 2010 to 2011. The City's share of the levy on a median value home increases by \$34.74. The change in taxes is based on the change in value of a median value property that dropped in value by 4.9%.

Budget

The City held a public hearing on the budget on December 6, 2010, when the City Council heard testimony from the public. It is recommended the Council adopt the proposed 2011 general and special revenue fund budgets.

Capital Improvement Program

The Capital Improvement Program (CIP) is a planning document that establishes projects for the next five years. The document does not authorize any project. Projects exceeding \$25,000 require Council authorization. Replacement costs account for 84% of projects listed in the CIP.

Wage and Benefit Adjustments

Action is recommended to approve a 1% wage adjustment for employees at Step 6, which is the top step in the pay grade. Health insurance changes and job classification system adjustments are also included in this approval. The Human Resources Manager is present and can answer more detailed questions about wages and benefits.

Minnesota law requires that the Council adopt a budget for 2011 by December 28, 2010, and certify it with the tax levy to the County and State by December 28, 2010.

Discussion

Councilmember Huffman thanked Jeanne Haapala and Fred Espe for their work and also residents who attended the public hearing and spoke to the Council. He acknowledged that residents in Shoreview do pay high taxes. In comparison to similar cities in the Municipal Legislative Commission, Shoreview ranks third highest. However, a great majority of these taxes are from Ramsey County. Ramsey County has some of the highest taxes among metro counties. City taxes are always at the bottom three, four or five of all cities. While he does not agree with every item in the budget, he does support the increases for public safety and appreciates the majority of what is in the budget. He encouraged residents to look at the comparisons illustrated in the booklets available. Even though Forest Lake and others are at a

zero tax increase, their taxes are still higher than in Shoreview. In the year to come, he anticipates that the Council will continue to look at citizens' concerns about taxes and services.

Mayor Martin noted that while the information from the recent Community Survey cannot be used this year, it will be used in decisions made in 2011. The Council will focus on specific areas of concern as expressed by residents.

Councilmember Wickstrom stated that she has received a number of requests from residents for additional services from the City. There is no end to those requests. Unfortunately, how much taxes increase or decrease is not under City control. The amount of \$350,000 is taken off the top of the budget that the State promises in exchange for property tax relief for homeowners of property valued under \$400,000. The City does not receive that reimbursement. If the City were to receive the \$350,000 owed to it, the budget would be lower than last year. Change in taxes is based on the change in value of property up or down in relation to everyone else. Even if values stay the same, taxes go up. Her own property value is down 2%, but the City portion of her taxes went up 10%. The property tax system in Minnesota is very complex and out of the City's control. The City must look to the future. Some cities are cutting infrastructure that will be a huge cost later. Shoreview plans well. Expenses are known and the Council does make efforts to keep taxes as low as possible in any given year. She will support the budget as presented, which has already been cut by almost \$200,000.

Councilmember Withhart stated that the City must stay on top of infrastructure replacements. Recreation programs are largely paid for by those using the services. They are not tax supported. City spending is actually increasing by only 1%.

Mayor Martin stated that the proposed budget is sound and maintains current services. The budget assures continued quality of services that residents ask for and appreciate. It is also a budget that plans for the future so Shoreview can protect its quality of life. The survey indicates that 96% of residents believe the quality of life to be excellent or good. This is the highest ranking in the metro area, and she feels strongly that this quality of life needs to be protected. Of that 96%, 80% believe the value received for services is excellent to good, and 40% would agree to tax increases to maintain services. The budget and tax levy are always a balancing act for the Council. One way to address the future is to maintain reserves at appropriate levels. Since summer, the Council has spent approximately 50 hours reviewing the budget and has done its best to keep the levy as low as possible and still do a good job for the community.

Mayor Martin noted that even though the Forest Lake levy has been reduced for the second consecutive year, taxes on a median value home are higher than in Shoreview, and Forest Lake is not in Ramsey County. Forest Lake reduced fire inspection to a half-time position and also eliminated acquisition of plowing equipment. Fire protection costs have increased in Shoreview. Firefighters are now trained as EMTs and respond to medical calls in the community when the stations are staffed. She applauds and appreciates the fact that the Fire Department has reduced its response time, which has made a huge difference in saving lives.

St. Paul, also at a zero levy, does not put street maintenance on property taxes. That is an extra charge through special assessments.

Mayor Martin stated that she is confident that Shoreview is in a good financial position and totally supports the proposed budget.

MOTION: by Councilmember Huffman, seconded by Councilmember Wickstrom to adopt proposed resolution number 10-119 reducing debt levies for fiscal year 2011 per Minnesota Statutes.

ROLL CALL: Ayes: Quigley, Wickstrom, Withhart, Huffman, Martin
Nays: None

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to adopt proposed resolution number 10-120 adopting a tax levy for the City of Shoreview in the amount of \$9,345,734 for taxes payable in 2011, and adopting an HRA tax levy of \$60,000 for taxes payable in 2011.

Discussion:

Councilmember Wickstrom noted that the levy is the amount necessary to support the 2011 budget as presented under separate report, and includes an estimated \$350,000 of lost property tax collections due to state Market Value Homestead Credit Cuts.

ROLL CALL: Ayes: Wickstrom, Withhart, Huffman, Quigley, Martin
Nays: None

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to adopt resolution number 10-121 approving the 2011 budget as detailed on the attached pages.

ROLL CALL: Ayes: Withhart, Huffman, Quigley, Wickstrom, Martin
Nays: None

MOTION: by Councilmember Withhart, seconded by Councilmember Wickstrom to adopt resolution number 10-122 approving the capital improvement program for the years 2011 through 2015 as detailed on the attached pages.

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Withhart, Martin
Nays: None

MOTION: by Councilmember Wickstrom, seconded by Councilmember Quigley to approve a 1.0% wage adjustment to Step 6 and the merit range on the Job Classification System, to increase the City contribution for employee health insurance to \$660 per month, to maintain the VEBA contribution amount at its current level, and to adopt the attached Job Classification System and Pay Plan effective December 25, 2010.

ROLL CALL: Ayes: Quigley, Wickstrom, Withhart, Huffman, Martin
Nays: None

ADOPT ORDINANCE ESTABLISHING 2011 UTILITY RATES

Presentation by Finance Director Jeanne Haapala

The proposed utility rate adjustments are primarily to address ongoing utility fund losses that the City has been experiencing. With declining water use and increasing cost, rates need to be raised faster. The long-term emphasis for setting rates is tied to the infrastructure replacement plan with the long-term goal to maintain sufficient cash balances to support operating costs. Costs are not connected to the amount of water pumped. Most costs are connected to operating the well system, repairs and replacements. Assets are not paid for as an expense to the fund. Assets are depreciated over the life of the asset, which is an accounting requirement. By 2015, there are plans for a water treatment plant.

The City uses a base year approach. Water usage fluctuates year to year due to rainfall. With the new water meter project, the City anticipated an increase in revenue, but the increased rainfall had usage down. There are also fuel costs, capital costs, rehabilitation of the water tower, and water tower painting.

For residential properties, the water availability charge will go up \$1.00 per quarter. Tiers 1, 2, and 3 rates will increase by \$0.09, \$0.19, and \$0.30 respectively per 1,000 gallons.

The City has tiered rates for all customers. The legislature recently passed a law that all residential properties are to be treated the same. This means that apartments were pulled off commercial rates and put in residential rates. As a result of this change, there was a decrease in water usage. The water fund will experience a loss of over \$300,000 in 2010 because of a base conservation rate structure to make sure there is sufficient water to deliver the right volume to residents and businesses. Without a conservation structure, if water usage were to rise unchecked, the City would be faced with building additional water towers, which would have a far bigger impact on customers.

Sewage flow has also declined, but sewage treatment costs are up. The City's sewage treatment costs are billed by the Metropolitan Council. Sewage treatment costs are 54% of the

total sewer fund budget. Operating costs are a challenge with emergency repairs, relining and televising, manhole replacement, increasing lift station maintenance, replacements and debt payments.

For residential properties, the sewer availability charge will be \$35.76 per unit per quarter. Tier rates are recommended as follows:

Tier 1 (less than 5,000 gallons)	\$15.11 per unit per quarter
Tier 2 (between 5,000 and 10,000 gallons)	\$26.02 per unit per quarter
Tier 3 (between 10,000 and 20,000 gallons)	\$39.90 per unit per quarter
Tier 4 (between 20,000 and 30,000 gallons)	\$54.26 per unit per quarter
Tier 5 (more than 30,000 gallons)	\$70.50 per unit per quarter

The surface water rate will increase \$1.45 per single-family unit per quarter and \$1.50 per multi-family unit per quarter.

The street light fee will increase \$0.35 per unit per quarter for single-family properties and \$0.24 per multi-family unit per quarter.

These recommended increases will continue to close the gap in sewer and water fund losses. Street lighting and surface water will have net gains.

Mayor Martin noted that sewer gallon rates are based on winter usage, which is a significant savings to residents but results in a loss of revenue for the City.

Councilmember Withhart stated that the utility funds are enterprise funds that function like a business. Revenues must cover expenses. Otherwise funds with an insufficient balance must be covered from other sources and he would rather see utility charges fund the utility funds. That is the fairest way and he will support the recommendations.

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to adopt the attached ordinance number 876 establishing a utility fee schedule effective January 1, 2011.

ROLL CALL: Ayes: Wickstrom, Withhart, Huffman, Quigley, Martin
Nays: None

ADJOURNMENT

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to adjourn the meeting at 8:02 p.m.

SHOREVIEW CITY COUNCIL - DECEMBER 20, 2010

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ROLL CALL: Ayes - 5 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 3rd DAY OF JANUARY 2011.

Terry C. Schwerm
City Manager