

**SHOREVIEW CITY COUNCIL WORKSHOP MEETING
MINUTES
November 13, 2012**

ATTENDEES:

City Council: Mayor Martin; Councilmembers Huffman, Quigley, Wickstrom and Withhart
Councilmember-Elect Emy Johnson

Staff: Terry Schwerm, City Manager
Jeanne Haapala, Finance Director
Mark Maloney, Public Works Director
Fred Espe, Assistant Finance Director

Lake Johanna
Fire Department: Fire Chief Tim Boehlke

CALL TO ORDER

Mayor Martin opened the meeting at 6:05 p.m.

ROLL CALL:

All Councilmembers were present.

Mayor Martin suggested the Council meet with legislators as soon as possible and invite them to the Minnesota Legislative Commission (MLC) breakfast in February.

Councilmember Withhart stated that particularly he would like to counter the negative reputation of TIF funding by discussing all the projects being done in Shoreview and what an effective tool TIF is for cities. An invitation will be extended to meet with the Council at the December 10th workshop meeting.

REVIEW OF PROPOSED 2013 BUDGET AND TAX LEVY

The proposed 2013 tax levy is estimated at \$9,679,567 which represents a 3.4% increase from 2012. This proposed levy is reduced slightly from the levy that was projected in the 2012-2013 biennial budget as a result of about \$75,000 in expenditure reductions. Over the two year budget, the actual increase is about 2.9% because the levy was lower in 2013 than it was in 2011.

There have been adjustments to both revenues and expenditures to the adopted 2013 budget. Revenue increases total more than \$170,000 and reflect revised license and permit revenues, administrative charges, and transfers. Significant increases in expenditures are the result of increased police and fire costs, wage and benefit adjustments, and increased forestry spending due to the Emerald Ash Borer infestation in Shoreview.

Specific items that are impacting the levy are:

- Police and fire protection make up almost half of the levy increase. The Ramsey County Sheriff's Department is purchasing a new computer aided dispatch system, which is increasing costs. A new full-time deputy will also be added. The position was funded five years ago but never filled. Shoreview's share of this position is approximately \$30,000 to \$35,000. The Fire Department is continuing to implement a duty crew system whereby paid firefighters will be at stations as part of shift crews to respond to fire and medical emergencies. A second increase in Fire Department costs is inflation and the allocation formula of costs.
- The wage adjustment of 2% for City employees in 2013 is consistent with other cities. Health insurance will go up approximately \$70 per month. It is proposed that the City pay \$35 per month of this amount.
- Four position reclassifications will result in a net decrease in costs. However, the addition of a community development intern will add about \$10,000 in costs to the general fund.
- The amount of \$20,000 is allocated for a community survey, which is done every three years.
- Communications changes regarding supplies, contracts, postage, printing, training and subscriptions.
- Information system costs with new increased annual licensing and maintenance fees associated with software, system security, hardware and other added features.
- New forestry initiatives in response to the emerald ash borer infestation. This year an opportunity was offered to residents to treat trees under a contract the City negotiated. The treatment is effective for two to three years. The City now has the equipment to perform these treatments. It is proposed that an intern be hired to do this work over the summer and also to help with a tree inventory. This will reduce the costs of treating ash trees and hopefully better protect the City's urban forest.
- Central garage charges increased slightly due to equipment replacements.
- Election costs are deleted for 2013.
- Office machinery has decreased with the expiration of the lease buyout on old copiers.
- The EDA and HRA levies each increase \$5,000 to cover additional staff time dedicated to EDA, HRA and Economic Development Commission costs.
- Debt levies increase \$26,974 for existing debt funds. This is a modest increase despite plans to issue \$2.5 million in street rehabilitation bonds because General Fund surpluses have been allocated to the debt service fund during the last two years for this purpose.

Ms. Haapala reported that the median home value in Shoreview will decrease from \$235,700 in 2012 to \$222,200 for 2013 taxes--a 5.7% drop in value. The tax bill for 50% of homes in Shoreview will see no change in property taxes or a decrease.

Councilmember Wickstrom noted that 196 properties show a property tax decrease of 40%.

Ramsey County has indicated that 12% of home values in Shoreview will remain the same for 2013 taxes. Approximately 11% of homes will increase in value, and the remaining 77% will decrease in value. However, even with property value reductions, property taxes will increase for most property owners due to the combination of declining taxable values and levy changes.

The Homestead Market Value Exclusion (HMVE) program will continue to be in effect for 2013. The HMVE excludes a portion of market value for homes valued less than \$413,000. The effect is that the tax burden is shifted from lower valued residential property to commercial/industrial, apartment and higher valued residential property. The tax rate is increased because of the reduction in values. The tax rate is computed by dividing tax levies by the total taxable value for the taxing entity.

Mayor Martin stated that when property values go down and taxes go up, it is the Council that has to explain the reason, but there is no correlation.

Councilmember Withhart asked the time frame for property tax claims to the Tax Court of Appeals. Ms. Haapala answered that a petition to the Tax Court takes almost two years to resolve. This impacts the City's tax rate and affects how taxes are distributed among properties. With the new market value exclusion law, there are two sets of values on each home. There is the assigned value by the county and a different decreased market exclusion value.

Utilities

This year the Water Fund is doing well at 37% ahead on revenue. This will help with the upcoming water treatment plant project planned in a few years. Staff is recommending a 3% increase.

Staff is recommending a 6% increase for sewer, which includes additional costs for a sewer asset management program. Although sewage flow is trending down, the discharge fee is increased.

Mr. Schwerm noted that even with the sewer lining projects that have been done, the city still falls into a category that has penalties for infiltration and inflow. This new asset management program will help identify where best to spend money for lining projects. Mr. Maloney stated that the infiltration and inflow fee is \$86,000 a year, but the City has been able to show initiatives that have offset that expense.

The recommended 10% increase for surface water is to keep pace with storm sewer needs, which is often up to 50% of costs of street projects.

Councilmember Withhart asked if this increase will continue. Ms. Haapala responded that no break in capital costs is foreseen.

Franchise Fees

Franchise fees are being considered as a possibility for new revenue to fund items not now in the Capital Improvement Program (CIP). Examples include the outdoor water play area, Commons Master plan, park updates, and trail system expansion. Franchise fees are collected on a per household basis. Mr. Schwerm stated that one suggestion is establishing a Community Investment Fund utilizing a 2.5% electric and gas franchise fee revenue. The amount of 25% of annual revenue would be dedicated to grow the fund balance until a \$3 million minimum fund balance is achieved, so that interest earnings would be used and the fund would continue to serve the community in the future. It is suggested that the revenue only be used for projects with community wide benefit.

Councilmember Withhart noted that the tall tower fees have expired, and the City no longer has that revenue that was used for parks. It will be important to set the right rate from the beginning. Residents expect the City to take care of streets, but if a park is upgraded, the Council would be able to point to this fund and the fact that property taxes were not used.

Councilmember Quigley stated that the City will need to identify specifically what this increase is for in a way that makes sense to residents. He believes there is a good case for this revenue, and there is a need. The plan needs to be thought through carefully.

Councilmember Wickstrom agreed and stated that clear policies must be in place, or the money will be used for things that come up instead of planned projects.

Councilmember Huffman asked if it would be more transparent to levy for the improvements and then they would be shown on the property tax statement. Mr. Schwerm responded that one advantage of using franchise fees is that revenue would be collected from homeowners on an equal basis each month. The property tax system would allocate the levy based on the value of the home. This is why many cities dedicate the revenue to street renewal because everyone benefits more equally. Ms. Haapala added that this demonstrates revenue diversification that bond rating agencies like to see.

Mayor Martin suggested that franchise fees be part of the Council's goal-setting session to set policy and have information on approximately how much could be generated. She also would like to develop a clear policy that would state that this revenue source is protected and used for special projects to keep Shoreview a premier community and doing what other cities are not able to do.

It was the consensus of the Council to have a thorough discussion on franchise fees in 2013 and part of a goal setting exercise.

Councilmember-Elect Johnson noted that the Community Foundation is looking for a significant project. She would like to see the two entities work collaboratively.

DISCUSSION REGARDING FIRE STATION IMPROVEMENT PROJECT

Mr. Schwerm stated that improvements to fire stations were anticipated with the duty crew program being implemented. By 2014, fire stations will be staffed for some overnight hours. The 2013 CIP includes construction of sleeping quarters at Stations No. 2 and 4. At Station No. 2, the project will be internal renovations. At Station No. 4, there will be a small addition. The work is to be funded by the three cities of Shoreview, North Oaks and Arden Hills. Shoreview's share is just over \$300,000.

Fire Chief Tim Boehlke presented site plans for Station No. 4 on Victoria and County Road E. The project is for an addition to add sleeping quarters and bath facilities. There would also be minor changes to office and storage space. Bedrooms will meet all code requirements. Some parking spaces will be lost, but no impact is anticipated. The proposed plans will be sufficient for the foreseeable future. All firefighters are trained EMTs with response times from three to five minutes.

Chief Boehlke stated that at Station No. 2, no addition is necessary. There is plenty of space to reconfigure within the building.

The Fire Department will bid the project following all municipal guidelines for the bidding process. The Fire Board will award the contract, hopefully by late January. Construction will start in April or May.

DISCUSSION REGARDING SANITARY SEWER ASSET MANAGEMENT INITIATIVE

Public Works Director Mark Maloney reported that the City owns and operates over 116 miles of buried sewer pipe, more than 2100 manholes and 17 sewer lift stations. Current estimates would value the system at \$51 million. The City's Replacement Plan anticipates \$15 million in expenditures over the next 30 years, or \$500,000 per year. The City's best records show that a significant amount of infrastructure was built by private developers and dedicated to the City after development of which the City has skimpy records.

There is water leaking into the pipes, which is the reason for the \$86,000 surcharge treatment fee for sewage treatment from the City. Inspections have been ongoing and the City has been putting in liners to prevent water seeping into the lines.

Staff has been meeting with Redzone Robotics of Pittsburgh, PA, a company that has cutting edge technology for infrastructure inspection and data collection. Cost for this type of work is built into the sewer rates. This company would be able to provide a web based GIS tool and database of sewers and connections to houses. The City would be able to get an inventory of the sanitary system. Such a database would prioritize work needing to be done. Redzone is well known nationally for its ability to set up a system of infrastructure management.

Mayor Martin asked if other cities have set up such a management system. Mr. Maloney stated that Minneapolis and others have set up a type of system, but no one has used this company that staff feels would provide a turnkey product.

Councilmember Wickstrom asked the payback to the City for such a system. Mr. Maloney responded that the system Redzone would provide would be cheaper than the City continuing to televise every mile of line on a sporadic basis, and the City will receive a software system as well. Most of the data would be collected in the first year. The City will pay for the work over a five-year period. There is a fee for upgrades. Mr. Maloney added that he estimates the data collected would be good for 10 years.

Councilmember Quigley agreed that it makes sense to invest in the City's infrastructure in this way. He asked the reason for spreading payment of the cost out for five years. Mr. Schwerm answered that the company is trying to break into the Minnesota market and is willing to finance the project over the five years.

It was the consensus of the Council to move forward with this project. Staff was asked to obtain references from other cities that have used Redzone services.

The meeting adjourned at 9:15 p.m.