

**CITY COUNCIL WORK SESSION  
CITY OF RAMSEY  
ANOKA COUNTY  
STATE OF MINNESOTA**

The Ramsey City Council conducted a City Council Work Session on Tuesday, February 14, 2012, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Bob Ramsey  
Councilmember Randy Backous  
Councilmember David Elvig  
Councilmember Colin McGlone  
Councilmember Sarah Strommen  
Councilmember Jason Tossey  
Councilmember Jeffrey Wise

Also Present: City Administrator Kurtis Ulrich  
Deputy City Administrator Heidi A. Nelson  
Public Works Director Brian Olson  
Police Chief James Way  
Fire Chief Dean Kapler  
Senior Planner Tim Gladhill  
City Engineer Tim Himmer  
Finance Officer Diana Lund  
Human Resources Representative Colleen Lasher  
Economic Development/Marketing Director Aaron Backman  
Fire Marshal Matt Kohner  
Acting Building Official Lee Gladitsch  
Planning Intern Patrick Brama  
City Attorney William Goodrich  
Development Manager Darren Lazan  
Landform Project Principal and Planner Kendra Lindahl

**CALL TO ORDER**

Mayor Ramsey called the City Council Work Session to order at 5:30 p.m.

**TOPICS FOR DISCUSSION**

**1) Review Report from January 23, 2012, Strategic Planning Session**

City Administrator Ulrich presented a report on the Strategic Planning Session.

Councilmember Elvig observed there appeared to be a contradiction since business retention is ranked low yet business site/expansion is ranked high.

City Administrator Ulrich agreed that indicated clearly the City Council majority felt one was more important than the other.

Mayor Ramsey stated it appears that most people are not worrying about working with existing businesses to expand or keep them but are more worried about finding places for new businesses. Mayor Ramsey addressed community programs and service contributions and stated it is easier to score Juvenile Diversion and Alexandra House lower because not as much is known about those programs. However, all know of the work of Youth First.

City Administrator Ulrich stated Police Chief Way could provide more information on the services provided by Juvenile Diversion and the Alexandra House, if desired.

Councilmember Wise asked what is the benefit of the North Metro Mayor's organization.

City Administrator Ulrich explained this organization is a joint effort of communities and provides for joint lobbying, networking, and a purchasing program to access pooled buying power.

Mayor Ramsey noted the City does not contribute much to The Draw event series.

City Administrator Ulrich stated the City solicits sponsors and coordinates events.

Planning Intern Brama advised the HRA sponsors one or two events each year as a contribution.

Councilmember Elvig stated concern with the wording of "Franchise Fee for Road Construction Initiative" because the City Council has not yet had its final discussion. He suggested it be reworded to indicate "potential" or "review of funding options."

City Administrator Ulrich indicated the wording would be revised. He stated a work plan will be created and a department head assigned to develop a timeline based on priorities established by the City Council.

Councilmember Strommen stated this is a good summary but pointed out several areas of contradiction. She wanted to be careful in how much weight is given to survey conclusions. In addition, only 5 of 7 Councilmembers completed the survey. She suggested that before creating an implementation plan, clarity be provided in what was intended because there appears to be some conflicting information.

City Administrator Ulrich indicated staff will put more weight on the priorities the group put together at the meeting and the work plan will be developed for Council review and approval. He agreed there may be items that the City Council does not support staff spending time on and those items can be addressed in the work plan.

Councilmember McGlone suggested the "road belongs to those who showed up" and if two Councilmembers were not present, then it wasn't important to them.

Councilmember Strommen stated she wants to assure the conclusions address the whole and not individual answers since there seems to be some conflict between the points.

Councilmember McGlone agreed.

Councilmember Backous noted the real intentions will be flushed out during debate but the concern is valid in how much work to do up front to gather information so it can be discussed at a Work Session. He agreed that while the process is not perfect, it is a start.

The consensus of the City Council was to direct staff to prepare a work plan for City Council consideration.

## **2) Review 2013 Budget Options**

### Projections for Refinancing Scenarios on the Municipal Center Debt

Paul Donna, Northland Securities Finance Consultant, stated the consideration is whether to refund the Series 2005A Bonds issued under the Lease Purchase Statute, to eliminate the existing bond and issue new G.O. Refunding Bonds. He explained this process would gain additional credit quality for the City and take advantage of the current market, resulting in significant savings. Mr. Donna stated he understands the overall objective is not only on savings but to better match the City's budget resources to pay back the debt. He presented the following scenarios: Scenario A, replacing current 4.4% rates with new rates estimated at 2-2.25% but not extending or shortening the debt. Scenario B, matching resources of the City by targeting a new payment going from \$1.475 million/year to \$1.1 million/year and extending the debt by five years. It was noted the present value benefit of capturing savings of one-half a million dollars; however, the annual savings may not meet the City's budget objective. Scenario C, bringing payments down in the first five years to \$1 million and then leveling off payments. This results in larger savings the first few years and extending the debt by five years. The present value savings would be just over \$500,000. Scenario D, resulting in lowering payments from the current \$1.475 million/year to \$1 million/year and extending the debt by nine years, resulting in a savings of over \$100,000.

Finance Officer Lund advised that Scenario C was used in the budget analysis.

Mayor Ramsey asked whether Scenario C results in paying an additional \$800,000.

Finance Officer Lund explained Scenario C gets the levy down to about \$1 million for the next few years instead of the current \$1.5 million, and anticipates additional growth in the future years.

Mr. Donna stated the calculation is based on the IRS requirements for refinancing based on a current bond yield of 2.47%; however, this will change over time as interest fluctuates.

Mayor Ramsey stated his understanding the law has changed so the City does not need to hold a referendum.

Mr. Donna stated that is correct. There is a public hearing requirement but no direct referendum requirement.

Finance Officer Lund noted these are very low interest rates.

Mr. Donna presented a graph of municipal bond rates, noting it is starting to move up a little, but the two low points are the lowest interest rates since April 16, 1967. He advised that if the City is considering refinancing, the sooner the better.

Councilmember Wise asked how long the process would take.

Mr. Donna explained the first step is to set the date for a public hearing, which will be considered tonight, and recommended for March 6, 2012. After the public hearing, there is a 30-day period during which they will visit with bond counsel to determine requirements and create a calendar for the City Council to review. He advised the shortest time period from today would be 40 days to effect the actual terms.

Councilmember Wise asked if the City locks in on a rate at some time.

Mr. Donna answered in the affirmative.

City Administrator Ulrich asked when the City has to lock in and if the City could expedite the process by one week if a special meeting is held.

Mr. Donna stated he discussed the schedule with Finance Officer Lund and determined March 6, 2012, is the earliest date for the public hearing. He indicated staff will discuss the date for locking the rate with bond counsel and a big factor will be the City's comfort level to move forward during the 30 days prior to closing.

Councilmember McGlone supported Scenario A since it will save \$1.358 million on the life of the loan. He stated he does not support extending out the debt term.

Councilmember Wise noted the reality is that there are budget issues that have to be dealt with, which may result in massive service and employee cuts, but there is not yet City Council consensus on that issue.

Councilmember Elvig asked about present date value versus long-term cash value.

Mr. Donna explained that assuming savings each year, generating annual savings, the City can reinvest those funds at least at the bond rate of the term.

Councilmember Backous supported Scenario C as striking a good balance between present value savings and cash flow.

Mayor Ramsey stated he agrees with the premise of Councilmember McGlone to not extend debt; however, in 2025 the value of the dollar may be considerably less than today. He noted with present day value, it is probably better to save money now knowing that later on a dollar will be worth less. He stated he would support Scenario C.

Councilmember Strommen concurred that Scenario C meets all of the current needs.

Councilmember Elvig expressed concern with taking one-time money or a one-time approach and noted that having another \$500,000 in cash flow is a huge opportunity.

Mr. Donna advised the new bond would allow another call feature so the bond can be refinanced before the term, if desired. He stated he thinks that is likely to occur in 8-10 years and result in saving even more money and perhaps shortening the term.

Mayor Ramsey asked if there is another aspect with the City Hall to have more money coming back.

Finance Officer Lund advised that the savings for 2012 of \$492,000 will be available.

Mr. Donna stated he understands 2,000 sq. ft. of space is rented to another governmental entity and there may be potential for additional space to be rented.

City Administrator Ulrich explained one of the budget options proposed to rent space to another government agency.

Mr. Donna advised the bonds are issued under tax exempt status so if renting out space, it would have to be to a governmental agencies and, in some cases, non-profit agencies.

Councilmember Tossey supported Scenario A because it saves \$1.4 million over the term of the loan and does not tie future Councils by extending the debt. But, if that is not an option, he would support Scenario C.

Councilmember McGlone asked what is the penalty if renting space to a non-government entity.

Mr. Donna stated he is not certain but there could be a battle with the IRS as well as severe fines.

Councilmember Wise stated he had objected during the budget discussion to rent space because he does not want the City to be a competitor to the private market and he thinks there was consensus of the City Council on that point.

City Administrator Ulrich indicated there appears to be City Council consensus on Scenario C and asked if there should be Council action.

Mayor Ramsey answered in the affirmative and asked if a public hearing would be scheduled at a special meeting, a non-Council meeting night.

City Administrator Ulrich suggested the public hearing be scheduled for a regular meeting night, March 13, 2012.

Finance Officer Lund stated it is on tonight's Consent Agenda to set the public hearing date.

Mayor Ramsey asked whether it was appropriate to hold the public hearing at a special meeting.

Councilmember Elvig stated that sensitivity is appropriate and he thinks residents would expect the public hearing to be scheduled on a regular meeting date.

Mr. Donna stated time is important but in knowing the City Council's general consensus they can make up time at the front end.

City Administrator Ulrich asked if City Council action is needed prior to the date to lock in the rate.

Mr. Donna explained that the public hearing will be held on March 13, 2012, the City Council will authorize the Scenario, and direct staff to move forward and set parameters for the refinancing.

#### Proposal for Voluntary Separation Program

City Administrator Ulrich indicated staff prepared an early separation policy modeled after researching with Anoka County, the League of Minnesota Cities, and other municipalities.

Human Resources Representative Lasher provided an overview of the Voluntary Early Separation Policy to address budget concerns. She indicated that 15 employees would be eligible, a good portion being union employees so union agreement would be needed. If 100% participation (which is unlikely) the 2012 budget impact is \$1,264,832, the payout would be \$306,254, and the first year annual savings would be \$958,578.

Mayor Ramsey asked if there is staff who qualify to meet retirement thresholds yet are still working.

Human Resources Representative Lasher advised there is one such employee.

Councilmember Backous asked how the ten year cutoff was determined.

Human Resources Representative Lasher explained that is the Anoka County guideline, ten years minimum service and the League of Minnesota Cities had a lower threshold.

Councilmember Elvig noted this program would result in the loss of long-term employees who know the history of the City and it would not be long before newly hired employees reach these savings rates.

Mayor Ramsey noted if all 15 employees participated, even if the positions were rehired it would still save \$184,000.

Human Resources Representative Lasher stated that is correct minus costs for recruitment and training.

Councilmember Strommen concurred with the point made by Councilmember Elvig that if the positions were replaced and one or two new employees added, the cost is back to the same level.

Councilmember McGlone felt growth had no bearing because the City would have to hire anyway if there is growth.

Councilmember Elvig stated this type of program would break down the City's staff and then the City would have to get staffing levels back up-to-speed with recruitment and training costs.

Mayor Ramsey noted the City is currently in a "slow mode" so it would not hurt the City if people took advantage of this policy. He agreed that if the City grew quickly there may be an impact; however, by then some of the employees may have retired anyway. Mayor Ramsey stated it seems like a lot of work if only 5% to 10% of employees participate. He would not be opposed to offering the program, but based on past history, felt this program may not be worth implementing. He asked what would it cost (time and effort) to implement the program.

Councilmember Elvig asked about the level of employee interest.

Human Resources Representative Lasher stated there would be staff time to set up meetings with Minnesota State Retirement System, hold staff meetings to explain the process, complete paperwork, etc.

Mayor Ramsey stated there will also need to be meetings with unions.

Councilmember McGlone pointed out that even if only two or three employees participate, the savings would be \$200,000 to \$300,000. He stated he is willing to support the program and suggested staff be polled to determine interest.

Deputy City Administrator Nelson stated staff was surveyed in the past but what is germane to their input is what the program would look like, terms it contains, so they can determine if it would work for them.

Councilmember Wise suggested this discussion be tabled so discussion can occur on other areas where savings could be gained. He agreed that loss of employees results in loss of City history and he thinks the City is starting to see growth, the housing industry is starting to come back, and the downward trend will not continue. Councilmember Wise stated it appears this program is time consuming to implement and may not net a huge savings.

Councilmember Backous stated he thinks the plan is reasonable and would support it. He stated he does not think all 15 employees will take advantage of the program, but it may be more than a

couple employees. He noted the City either needs to have staff meetings for involuntary terminations, or attrition, so he would support this voluntary program.

Councilmember Elvig stated he would support conducting a straw poll to determine how many staff would be interested and then the City Council can determine if it is worth considering. He stated he could support the program if there were advantages to the employee and the City.

Mayor Ramsey also supported taking a straw poll as long as it does not take a lot of staff time to do so. He indicated if some staff is interested in the program, he would then be willing to consider it.

Councilmember Tossey stated he supports the plan as proposed, which is voluntary, but may involve negotiation with bargaining units.

It was acknowledged this would be a one-time offering.

Councilmember Strommen stated she is fine with what has been presented and polling employees to see if there is enough interest to move forward. She shares Councilmember Elvig's concern about senior staff members moving on and this is one way to plan for succession planning. Councilmember Strommen stated she is not yet convinced that the option is only this program or involuntary termination as mentioned by Councilmember Backous. She stated she would like to explore this program as well as other options.

Councilmember McGlone asked how many of the 15 employees are five years from retiring. He stated he does not support the suggestion the City is losing all of its staff since this is voluntary and the City needs to plan for someone who is retiring anyway.

The consensus of the City Council was to direct staff to conduct a straw poll to determine how many employees would be interested in participating in a Voluntary Early Separation Policy.

#### Budget Cash Flow Projections / Budget Modifications / Impacts

Finance Officer Lund reviewed the staff report.

City Administrator Ulrich noted some involve one-time money for 2013 plus some is decertification.

Mayor Ramsey asked if there will need to be \$1 million of reductions.

Councilmember Strommen noted if the 2013 budget is held constant, with the exception of inflationary costs, there would be almost \$597,000 to the positive.

Finance Officer Lund confirmed that is the case.

Councilmember Elvig asked about the franchise fee.

Public Works Director Olson explained that a franchise fee of \$14/month/utility customer, would generate \$1.53 million or one-half of the total reconstruction projects and all of the maintenance (sealcoating and overlay) activities.

Mayor Ramsey noted if the businesses are charged a double franchise fee, more will be collected.

Public Works Director Olson explained the \$1.53 million included sealcoating and overlaying at zero assessment and a 50% reconstruction assessment and that amount includes the commercial and industrial being charged twice as much as the residential customer. If commercial and industrial pay is the same as the residential uses, there would be a reduction of revenue of approximately \$82,000 annually.

Mayor Ramsey noted with road reconstruction, the figures are based on a 50% assessment and costs of \$1 million per mile.

Public Works Director Olson explained the cost of \$1 million per mile was reduced to \$642,000 per mile without sidewalk and storm sewer but including curb and gutter. That figure was based on Andrie Street.

Councilmember Tossey noted it has been forecast there will be a State budget surplus of \$700 million which may be going back to repay K-12. However, the Senate Majority Leader has indicated support for property tax relief, maybe a homestead tax credit/exclusion. Councilmember Tossey noted there may be a Legislative decision by April. He indicated he would also like to work on an HRA levy reduction.

Mayor Ramsey stated that no one would argue against reducing the HRA and EDA levies.

Finance Officer Lund advised that this year the EDA and HRA levies were not affected by the market value exclusion but those levies will be impacted next year.

Mayor Ramsey stated he does not favor a franchise fee to finance road construction and prefers to look at everything else possible before considering that option.

City Administrator Ulrich stated the next budget topic deals with employee positions.

Finance Officer Lund asked for direction on the budget and if the City Council felt an 8.4 levy was a good target to use.

Mayor Ramsey stated support to maintain a tax capacity rate of 39 including road maintenance money.

Councilmember Elvig complimented staff for bringing forward these ideas, thinking they were on the right track. He noted it was almost at a tax capacity rate of 36, which would almost address the problem with road funding.

Mayor Ramsey agreed it is moving in the right direction and the straw poll will help in that decision.

The consensus of the City Council was to continue discussion to the February 28, 2012 Work Session.

#### **FUTURE TOPICS FOR DISCUSSION**

Noted.

#### **MAYOR, COUNCIL AND STAFF INPUT**

None

#### **ADJOURNMENT**

Motion by Councilmember Elvig, seconded by Councilmember Wise, to adjourn the Work Session meeting.

Motion carried. Voting Yes: Mayor Ramsey, Councilmembers Elvig, Wise, Backous, McGlone, Strommen, and Tossey. Voting No: None.

The Work Session of the City Council was adjourned at 6:55 p.m.

Respectfully submitted,

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Kurtis G. Ulrich  
City Administrator

ATTEST:

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Jo Ann M. Thieling  
City Clerk

Drafted by Carla Wirth, *TimeSaver Off Site Secretarial, Inc.*