

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

The Ramsey City Council conducted a City Council Work Session on Tuesday, August 28, 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
Finance Director Diana Lund
Fire Chief Dean Kapler
Police Chief James Way
Public Works Superintendent Grant Riemer
Human Resources Manager Colleen Lasher
Development Services Manager Timothy Gladhill
Management Analyst Patrick Brama

1. CALL TO ORDER

Mayor Ramsey called the City Council Work Session to order at 5:45 p.m.

2. TOPICS FOR DISCUSSION

2.01: 2013 Budgets & Levies – General Fund, HRA & EDA Fund

City Administrator Ulrich reviewed the Council's past consideration of the 2013 budgets and levies, noting the preliminary levy is scheduled for Council adoption at the September 11, meeting. He explained the Council can lower the levy from the preliminary levy but cannot approve a higher levy amount.

Finance Director Lund reviewed the staff report. It was noted the proposed tax capacity rate is 44.71%; the proposed levy is \$7,998,213; the taxable property value is \$14,740,541 with TIF 10 back on line for 2013; and the general fund budget is \$10,466,337. This reflects an increase of \$818,262, mostly attributable to road construction being in the General Fund. Finance Director Lund presented sources of revenue and expenditures, personnel additions and reductions, noting that a 1% cost of living is included. She advised that most cities are at a 2% increase. Finance Director Lund stated that staffing costs equal 55% of the General Fund budget and 54% of the General, Fund, EDA & HRA budgets. Road reconstruction has been budgeted for \$1.5 million

and capital equipment requests equal \$463,000. Finance Director Lund then presented the EDA levy of \$104,466 and HRA maximum levy of \$328,567.

The Council determined to first discuss the 2013 Capital Outlay Budget.

Councilmember Wise asked if the police cages cannot be recycled.

Police Chief Way explained that when switching vehicles, some of the old equipment does not fit but they will reuse whatever is possible. In addition, the Department may need to do without until drug forfeiture funds are available.

Finance Director Lund noted squad cars and Public Works trucks equal about \$50,000, the mega mower is \$86,000, and the second year of the fire truck is budgeted. She stated the \$108,000 telephone system was removed from the budget.

Councilmember Strommen suggested looking at a five-year average so it can be determined what is atypical for annual costs. She asked if there are other items, such as the telephone system or plow truck, where there could be an unbudgeted expense as a result of a break down.

Mayor Ramsey stated if the fire truck is taken out, it is \$150,000.

Councilmember Strommen stated she would like a sense of what is being proposed this year when compared to an average base annual budget.

Finance Director Lund reviewed totals for the past four years, estimating an average of \$175,000 to \$200,000.

Mayor Ramsey noted if \$200,000 is expended annually, the fund will be exhausted in two years.

Finance Director Lund stated that is correct because revenue has not been over expenditures. She explained how equipment purchases were funded in the past and levied to the taxpayer.

Mayor Ramsey noted that remains the same, because these expenses are from the General Fund.

Councilmember McGlone raised the option of leasing a mower to stretch out the cost and save money.

Public Works Superintendent Riemer stated that is an option and he could get those dollars for the Council's consideration. He advised that the current megamower is wearing out and in need of repairs/maintenance after several days use.

City Administrator Ulrich stated another option is to use equipment certificates and finance over several years instead of a one-year payout.

Councilmember Elvig recalled the first megamower purchase was about eight years ago.

Public Works Superintendent Riemer stated it was purchased in 2004 and is 8 years old.

Councilmember Elvig stated he supports looking at the lease option.

Public Works Superintendent Riemer recommended a six-year lease because of the high maintenance experienced during the past two years.

Councilmember Elvig noted it will probably be a seasonal lease.

Finance Director Lund presented the Equipment Revolving Fund and noted if \$200,000/year is expended, it would last six years. She stated equipment certificates can be considered and would go out ten years. In 2013, it would add about \$60,000 to the levy if funded through equipment certificates. She advised that when considering the City's bond rating, Moody's looks at the City's reserves to assure the City is able to pay down its debt.

The consensus of the Council was to direct staff to research lease options and to keep the plow in the budget.

Councilmember Elvig stated he supports buying down during lean times and thinking about leasing on occasion. But, if doing capital expenditures or bonds, he questioned at what point does the City's financial position tip from being cash rich to debt/obligation ridden when pooling of funds goes down.

Mayor Ramsey asked what are the unrestricted/unreserved fund balances that can be used for funding.

Finance Director Lund stated it would be the Landfill Fund and this fund but a lot of this has been pledged to Sunwood Drive. These two funds are used to cover shortages.

Councilmember Elvig agreed this fund is already pledged for a lot of things and asked again, at what point the City tips from being flush to being in an obligation or debt position.

City Administrator Ulrich suggested staff project out ten years to provide that information. He stated staff can determine constant averages and levy based on balances.

Councilmember McGlone stated he often hears from staff that equipment, when sold, is valueless. The City now has a mower that has to be fixed every time it is used and the City bears the costs of equipment, maintenance/repairs, and service loss. Councilmember McGlone stated if the City has a lease program, it can return the equipment while it still has value. Then, instead of having to fund the costs of the entire equipment and downtime, the City can get rid of the equipment while it still has value. He believed there were more advantages to looking at leasing, noting it also would reduce the City's outlay today and still gets the job done, making it a budgetable approach.

Mayor Ramsey agreed.

Finance Director Lund asked if there was any appetite for equipment certificates. She noted it would not go in the 2013 levy but the debt service would start in 2014.

The consensus of the Council was to look at all options given the cost of money in today's market.

Finance Director Lund presented a comparison of the City's levy each year since 2007.

Councilmember Strommen stated she thought the Council had talked about reducing the HRA levy in 2013.

Mayor Ramsey recalled the consensus at the last budget workshop was to not reduce the HRA levy but to consider the option to lower it by augmenting with Anoka County HRA funds.

Councilmember Tossey stated he supports reducing the HRA levy until it is at a level where it is manageable. He agreed with Councilmember Strommen that the Council's consensus was to reduce the HRA levy in 2013.

City Administrator Ulrich noted \$68,000 of staffing was removed from the EDA budget and put into the HRA budget.

Councilmember Strommen asked how it impacts time and duties if a majority of the position is funded by the HRA and the EDA budget is reduced. She noted the EDA budget impacts the City's tax rate and asked if the EDA still gets a portion of that staffing time.

City Administrator Ulrich explained it is broken down by percentage and the City still staffs the EDA.

Finance Director Lund stated the staffing break down is 20% TIF, 20% EDA, and 60% HRA funded. She explained HRA is higher because The COR consumes most of the staffing. She acknowledged this is an estimate at this time and subject to change.

Councilmember Strommen asked what 20% EDA represents and if it includes staffing at EDA meetings and organizing the Game Fair.

Finance Director Lund stated it is 832 hours.

City Administrator Ulrich stated all items are still staffed from the TIF or EDA levy and additional staff is allocated. He explained the additional levy allowed the City to accumulate a balance over the years and now that balance will be spent down until the land is sold.

Councilmember Tossey asked if there is a minimum levy for the HRA that has to be maintained.

Finance Director Lund stated there is not.

Councilmember Tossey asked about using Anoka County HRA funds for the City's HRA and reducing the levy against Ramsey residents to zero.

Finance Director Lund stated the Council would then need to decide on HRA cuts. She noted the major items in the HRA budget are the personnel position of \$46,000 and the professional services line items.

Councilmember Tossey stated that still leaves \$200,000 for the professional services contract, if the HRA supports it. He stated it was his understanding the HRA budget would be cut in half, to \$180,000.

Mayor Ramsey stated the Council needs to consider what it takes to continue to develop The COR, which takes money up front.

Councilmember Wise stated the fund had to go back up to pay for a position.

Finance Director Lund explained it increased \$47,000 for that position and she does not recall a Council decision to cut the HRA levy by one-half.

Councilmember Tossey noted this still leaves \$190,000 in the HRA levy.

Finance Director Lund explained that \$130,000 is attributed to salaries and benefits and the professional services line item is at \$51,000 with legal at \$35,000. Also, as part of the budget, there is an agreement for \$48,000 of ramp coverage and that has been in the budget since 2012.

Councilmember McGlone asked about the \$750,000 from sale of The Residence and \$110,000 from the sale to TOTI.

Finance Director Lund explained the \$750,000 sale had a Development Manager (DM) fee so it was \$400,000. The City took the amount attributable to the land sale, based on square footage, in the HRA and the rest was split according to the land policy. The TOTI sale also had a DM fee and a lot of legal costs. Finance Director Lund stated she cannot recall the net on the TOTI sale.

Councilmember Strommen asked if the \$20,000 for travel/lodging is for the International Conference of Shopping Centers (ICSC).

Finance Director Lund stated it would also be any travel and reimbursement for DM travel.

Councilmember Strommen stated the budget also has \$30,000 for marketing.

City Administrator Ulrich noted the HRA had most of the ICSC materials and brought fewer people so the expenses were probably not close to \$20,000 for the last ICSC event.

Development Manager Lazan stated it cost \$13,000 for all ICSC travel.

Finance Director Lund presented the County HRA levy and amount to be levied.

Mayor Ramsey asked if we can make it on \$236,000 with what has been planned.

City Administrator Ulrich advised that will be tight.

Councilmember Tossey stated the expenses mentioned by Finance Director Lund totals roughly \$240,000.

Mayor Ramsey suggested \$236,000 from Anoka County HRA, for now. He stated it can still be a preliminary levy of \$209,000 and then it can be reduced in December.

Councilmember Elvig stated \$236,000 is yearly and there is also a \$472,000 fund available.

Finance Director Lund advised that Anoka County needs to maintain a balance to cover expenses.

Councilmember Elvig suggested going back to the pool and taking the remaining balance needed so it is a zero net and meets capacity.

City Administrator Ulrich explained the fund balance is one-time accumulation, not covering the levy going forward. He indicated the \$236,000 is “fair game” with the caveat of Anoka County Board approval. City Administrator Ulrich stated the Anoka County Executive Director had said it is likely to be approved for Ramsey’s HRA operating if presented in a project type format for housing redevelopment efforts.

Councilmember Elvig stated the Council is looking at adding \$1 million to road construction and this would pick up \$238,000 and be a terrific offset.

City Administrator Ulrich referenced the senior housing project obligation.

Finance Director Lund stated the City is allowed to use \$236,000 but cannot use the whole fund balance.

Mayor Ramsey asked staff to bring back that information.

Councilmember McGlone stated he does not feel comfortable with this discussion because the HRA will also be responsible for the signs and the Council has not received enough information to make a good decision. He suggested scheduling an HRA Work Session to hold discussion with the Development Manager so the Council knows what it will be spending on before setting the budget.

Councilmember Tossey again stated his support to lower the HRA levy, just like the Council is reducing the General Fund levy. He found it ironic the Council was not considering doing the same with HRA levy.

Councilmember Backous agreed and stated what is good for HRA is good for EDA. He stated if the Council is talking about what it needs to do with HRA, it should do the same with the EDA before it cuts their levy.

Councilmember Strommen stated that was her point. The Council needs to start with a work plan of activities, the same as it does with the General Fund. Councilmember Strommen stated she thought the Council had agreed to reduce the HRA levy, noting it needs to be based on activities. She stated she wants to assure we have access to the Anoka County HRA levy before setting the maximum and only having \$92,000 to work with. Councilmember Strommen agreed the Council needs to look at the plan for the year and anticipated projects.

Councilmember Elvig concurred, noting there is majority Council consensus to reduce the HRA levy.

Councilmember McGlone stated he has no problem with reducing the HRA levy but if you use one-time funds, the levy will have to be raised when they run out.

The consensus of the Council was to direct staff to schedule an HRA Work Session on September 4, 2012.

Finance Director Lund presented the School District levy and described the impact to the property taxpayer based only on the tax rate. Based on this proposed levy (not including HRA), a \$150,000 house would realize an increase of \$8.15. She noted Anoka County is decreasing residential homes by 7.8% so a \$150,000 home would be valued at \$139,000 and the City portion of taxes would go down \$40.39 if all other numbers remain constant.

Mayor Ramsey asked what the Engineering Technician III will do during the winter months.

City Administrator Ulrich stated the City would primarily be gaining the ability to develop plans and CAD drawings for up-coming projects, but a more detailed analysis is needed.

Councilmember Elvig noted with the reconstruction worked planned, this position can work during winter months on road reconstruction plans.

Mayor Ramsey stated only Leonard Linton currently has that ability on staff so it will depend on the skill set of the new Engineering Technician III.

Finance Director Lund explained this position originated when the former City Engineer said this salary would generate revenues of \$750,000 from the three reconstruction projects.

Councilmember Strommen questioned the revenue projection and how it relates to that position. She noted someone will be coming on board as the City Engineer so there will be a training period. She asked whether that revenue projection is realistic.

Finance Director Lund stated it was conservatively based using 15% of those three project costs.

City Administrator Ulrich noted there is also \$1.5 million going into road construction and it would be 15% of that amount.

Councilmember Strommen stated she appreciates having the extra \$1 million budgeted for road reconstruction but it is paid from funds that will not run forever (TIF and PIR). She urged the Council to hold conversation about funding road construction long term.

Finance Director Lund stated the EDA is looking at its budget levy at its September meeting.

Mayor Ramsey asked if the City would be using one-time money for the \$1 million worth of road reconstruction.

Finance Director Lund advised that TIF ends in 2014 and the PIR Fund will go through 2017.

Mayor Ramsey asked where the salary reduction money is going.

Finance Director Lund explained that not all positions are on line at once and as those positions left, some other positions were raised in steps and salary. In addition, health insurance costs have increased.

2.02: Review Building Permit Rates and Fees

Development Services Manager Gladhill reviewed the staff report and requested Council input on potential adjustments to 2013 rates and fees.

Mayor Ramsey asked if a building permit is required to replace a window or door or siding.

Development Services Manager Gladhill advised that based on existing Code, those permits are required but can be charged on a fixed rate rather than being based on the project value.

Councilmember Wise felt window or door replacement was a maintenance project and asked if the permit requirement has been court challenged.

Ron Wasmund, President of Inspectron, explained the inspection of windows, siding, or roofing assures the contractor is installing the proper levels of ice and water protection at the edge of the roof, the windows are properly sealed, and to eliminate opportunity for moisture intrusion. He noted if there is a problem with the work five years down the road, they would have the inspector's records available that demonstrates it was installed properly. Mr. Wasmund clarified the code program isn't designed to provide compensation for repair, but that the initial installation was done properly.

Councilmember Wise stated he would take on those types of projects himself and views this permit requirement as government intrusion. He asked what the resident is getting for the permit since it does not cover replacement.

Mr. Wasmund stated there are different levels of installation knowledge and workmanship so to leave it self-regulated or unsupervised could lead to circumstances where the consumer is not protected.

Mayor Ramsey stated he was interested in knowing what the law requires for permitting. If the law does not require a permit for replacing windows, then some on the Council did not support making that requirement. As an aside, he noted a permit is not required for car repair and there are incompetent mechanics.

Councilmember McGlone stated the City adopted the Residential Building Code by ordinance and is now bound to enforce it. He noted the City just lost a building project to Elk River because it did not adopt that code and does not have a fire suppression rule.

Development Services Manager Gladhill clarified that was in regard to Chapter 1306, the optional chapter that Ramsey has repealed.

Mayor Ramsey asked if the City has to require a building permit for door replacement.

Mr. Wasmund stated that is the case under the current Building Code.

Councilmember Wise noted the permit does not need to be based on valuation.

Development Services Manager Gladhill asked the Council if this discussion is solely on that type of permit or are there other issues, i.e., code or building permit fee related. He recommended delaying consideration of fee reductions for one year, under this current contract, noting there have been some cost savings but room remains for tweaks.

The consensus of the Council was to require permits for only what is required by Code.

3. FUTURE TOPICS FOR DISCUSSION

Noted.

4. MAYOR / COUNCIL / STAFF INPUT

4.01: Rail Station Project Update

Noted.

5. ADJOURNMENT

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

The Work Session of the City Council was adjourned at 6:58 p.m.

Respectfully submitted,

Kurtis G. Ulrich
City Administrator

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Carla Wirth
TimeSaver Off Site Secretarial, Inc.