

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

The Ramsey City Council conducted a City Council Work Session on Tuesday, July 23, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Sarah Strommen
Councilmember Mark Kuzma
Councilmember John LeTourneau
Councilmember Chris Riley
Councilmember Jason Tossey

Member Absent: Councilmember Randy Backous

Also Present: City Administrator Kurtis Ulrich
Finance Director Diana Lund
Police Captain Jeff Katers
Fire Marshall Matt Kohner
Public Works Superintendent Grant Riemer
Human Resources Manager Colleen Lasher
Development Services Manager Timothy Gladhill
City Engineer Bruce Westby
City Attorney Joe Langel

1. CALL TO ORDER

Mayor Strommen called the City Council Work Session to order at 5:31 p.m.

2. TOPICS FOR DISCUSSION

2.01: Overview of 2014 Budget Process

Finance Director Lund stated this information has already been presented to the Finance Committee. She noted there is capacity over the levy of about \$129,000. Based on the levy limit total, the estimated tax capacity is at 43.37%. In 2013, it was 44.29% and this decrease in 2014 is because TIF #2 (Gateway Industrial Park and Business Park 95) was decertified. She explained the preliminary budget, as prepared, would need to be cut by \$156,000 to reach levy limits. The 2014 budget totals \$10,050,677, which needs to be cut by \$156,000. Finance Director Lund reviewed the staff report and provided an overview of the 2014 preliminary budget notes, general fund budget, EDA budget (which falls within the levy limits), HRA budget, and strategic goals. She presented a comparison from 2009 to 2014, noting all 2014 numbers are preliminary. With regard to the tax capacity rate comparison from 2011 to 2012, it remained constant when the market value homestead went away and the exclusion rate was instituted.

Mayor Strommen stated the Finance Committee discussed that there had been just under a 1% decrease in residential home values.

Finance Director Lund completed presentation of the budget information relating to personnel and road reconstruction funding. She indicated the Council will need to focus on road reconstruction funding since the general fund does not have capacity to cover that cost due to levy limits. She stated prior to adoption in September, staff needs to look at balancing the budget to the levy, and the Council needs to consider whether to use Anoka County HRA funds of \$220,000, and whether to merge the EDA/HRA account. In addition, staff will prepare a five-year budget projection for the Council's review.

City Administrator Ulrich stated the five-year projection was a request from the Finance Committee to see what is happening to tax revenue and expenditures. On the EDA/HRA, it may not be good year to eliminate the HRA during a year of levy limits but the option is available to utilize Anoka County HRA funding to substitute that levy. Or, the HRA's activity can be scaled back and those duties transferred to the EDA through the HRA levy; however, that may result in concerns with transparency. With regard to funding road reconstruction costs, there has been discussion of a franchise fee and a Council decision needs to be reached in the next month or so in order to have a road reconstruction project in 2014. He stated the assessment option also needs to be considered so if approved, it could go into place in 2014. City Administrator Ulrich stated staff will consider cuts that can be made to reach a balanced budget and that recommendation will be made for the Council's consideration.

Councilmember Riley stated the Finance Committee discussed the Comprehensive Annual Financial Report and staff had a call with S&P who indicated the General Fund reserves are the most important thing they look at. He noted there are two main changes: the difference in funding roads in 2013 (combination of debt savings and one-time monies) versus 2014; and, now we have to pay the debt, making a \$600,000 difference. That is the difference between 2013 and 2014.

Finance Director Lund stated there are also personnel changes.

Mayor Strommen noted this presentation has laid out the issues. The Council will be working on the budget over the next few months, receive the five-year projections, and need to make a decision on funding sources for road reconstruction.

City Administrator Ulrich stated he would like to test the assumption if the Council wants to levy to the maximum or if the budget should be scaled back even more, and whether to keep the HRA levy in place or cover that \$200,000 with cuts. He asked if there is support to cut back on the levy or staffing to balance the 2014 budget.

Councilmember Tossey stated one TIF district is coming off line and even with a levy increase and lower home values, it will lower the tax capacity, proving TIF is more destructive than good. He asked about the assumption of a 2.5% wage increase for non-union when union got 2%.

Finance Director Lund verified that the unions received the following: AFSCME: 2% January 1 and 1% July 1 and LELS 2% January 1 and 2% July 1st for year 2014.

Finance Director Lund stated this is preliminary for consideration by the Council but the union contracts have been approved and need to stay in the budget.

Councilmember Tossey stated he would support a .5% decrease for non-union employees instead of paying a higher increase than union employees received.

City Administrator Ulrich stated the AFSCME is 2% in January and 1% in July, or 2.5%; and, LELS was 2% January 1st and 2% July 1st which averages 3%.

Councilmember Tossey stated there could be savings by reducing non-union increases. He asked why, in September, the Council debated using Anoka County HRA funds to off-set the Ramsey HRA but there is still not an answer.

Finance Director Lund stated the Council was informed that Anoka County HRA funds could be used but decided to not use it and save it for other housing activity or a project. She indicated Anoka County had approved it, but Ramsey had to submit its budget.

Councilmember Tossey referenced about the comment on the lack of transparency when using HRA funding to pay for certain EDA things, and stated he would argue that franchise fees result in the same, lack of transparency. He felt invoking a franchise fee was an attempt to get around the levy limit.

Councilmember Kuzma stated he would like to talk about bonding for road reconstruction.

Finance Director Lund stated it is too late to bond for projects in 2013 but bonding can be done for 2014 projects. Since it would be a non-qualified bond and the process takes 90 days to complete, she would recommend it be held off to 2014.

Mayor Strommen asked when the Council will receive revised road construction costs so that discussion can be tackled. She noted it is clear the cost for road reconstruction will not fit into the General Fund levy without significant decreases elsewhere. Mayor Strommen stated all agree the roads need to be fixed so the decision is the level of projects, pace of projects, and how they will be funded.

City Engineer Westby stated information on road costs, funding options, and associated timelines will be presented at the August 13, 2013, Work Session.

Finance Director Lund explained how levy limits are determined, noting the limit is 3% of last year's levy amount.

Councilmember Tossey asked how much additional revenue will be received by the TIF #2 District coming off line and asked why that should count towards levy limits since that money could not be accessed last year.

Mayor Strommen stated the City cannot take advantage of that because it is dictated by what had been levied last year.

Councilmember Tossey stated he wants money to go towards roads but he does not support franchise fees.

Mayor Strommen stated Ramsey does not get the choice to use the additional revenue generated by decertification of TIF #2 for road construction due to levy limits.

Finance Director Lund stated another reason levies were put in place is that the state passed a sales tax exemption.

Councilmember Riley stated on the transparency issue, several years ago the EDA/HRA were the same and it was past practice to use one levy one year and the other levy the next year depending on which was the most advantageous. He stated he did not support that practice. Councilmember Riley stated this budget starts with the Strategic Plan and to make changes that can be paid for. He stated the "wish list" needs to be scrutinized first and only items included that can be paid for.

Mayor Strommen stated the personnel changes considered during strategic planning are not enough to offset road costs so that problem still needs to be addressed.

Councilmember Kuzma stated in 2014, \$156,000 needs to be cut even if the levy limit is maximized. He stated if the \$156,000 is cut, the budget would have \$500,000 allocated for roads so maybe only maintenance can be done in 2014 unless information is presented at the next Work Session to resolve that funding issue.

Councilmember Riley stated there is an operating budget and a road funding issue but right now, the \$156,000 needs to be cut first and then the Council can tackle the road funding issue. He noted that the City cannot increase taxes to pay for road reconstruction, which frames the Council's discussion.

Mayor Strommen agreed and stated the Council has wrestled with this decision for years and keeps pushing it "down the road" but that decision is needed now because there is a big issue with roads. She stated she is not concerned about cutting \$156,000 from the 2014 budget but funding road reconstruction will be a difficult decision. She stated at some point, a Council has to tackle that issue and find funding that is not one-time in nature, perhaps through a phased approach.

City Administrator Ulrich asked if the non-union wage discussion should be referred to the Personnel Committee.

The City Council agreed it should be referred to the Personnel Committee

Human Resources Manager Lasher explained it was a COLA increase on top of the entire scale.

City Administrator Ulrich stated Anoka County HRA had a caveat that it preferred one-time projects and expenditures but there was no clear answer about using Anoka County HRA funds for on-going administrative costs.

Mayor Strommen asked staff to prepare a plan that meets Anoka County's objectives and Ramsey's objectives and budget scenarios addressing both.

Councilmember Tossey asked what COR land sales are dedicated to.

Finance Director Lund stated there are two outstanding MSA bonds, sewer and water internal loans and then it is to go to pay back the HRA for development matters and help fund parks because park improvements cannot be bonded for through TIF.

Councilmember Tossey asked about the status of park funds.

Finance Director Lund stated the Park Fund has a balance of about \$2.4 million and that number does not include the cost for Elmcrest Park.

Councilmember Tossey suggested analyzing HRA land to determine if any of that money can be used for road reconstruction, noting the City is land rich but cash poor.

City Administrator Ulrich stated land proceeds have always been something hoped for to fund a lot of things, but the market has not been there and it is an unpredictable funding source.

Councilmember Tossey stated the City does not have an Economic Development Manager but the market is changing and people are interested in buying land. In addition, the Highway 10 project may increase interest in The COR property without spending money on consultants. He noted levy limits may be in place for 2015 but he thinks the way to get revenue for roads is through the levy and not through fees.

Mayor Strommen supported making this decision this year so that decision is not again delayed.

City Administrator Ulrich agreed the interchange project moving forward will result in increasing the value of The COR land.

Councilmember Kuzma raised the option of instituting a franchise fee for a year until land sales increase.

City Administrator Ulrich stated that is an option and has been used previously when the market homestead credit was cut and there were levy limits.

Finance Director Lund stated LGA had also been cut at that time and that franchise fee was instituted for one year but sunset after nine months. She noted that the budget process would be presented at tonight's Council meeting to make the public aware.

3. FUTURE TOPICS FOR DISCUSSION

City Administrator Ulrich reviewed future topics.

Mayor Strommen suggested the Metropolitan Council representative be invited and introduced at a future meeting. She stated the Mississippi River Mayor's Association had a recent conference in St. Cloud, it is free to join, and fits with the Council's Strategic Plan to promote connectivity. In addition, Parks and Assistant Public Works Superintendent Riverblood has indicated it would be in line with the Mississippi River Trail.

The Council supported discussing the Mississippi River Mayor's Association at a future Work Session.

Councilmember Tossey stated he attended Senator Peterson's Town Hall meeting and the Rum River Dam was discussed. He stated there is a movement to get all cities along the Rum River to contribute towards a secondary barrier, as it is a regional issue, instead of only the four cities within the Lower Rum River Watershed Management Organization.

City Administrator Ulrich stated the Housing Assistance Plan will be considered in several weeks. He provided updates on personnel issues.

Mayor Strommen suggested addressing concerns related to investment in abutting properties that will be impacted by the Highway 10 project.

Development Services Manager Gladhill stated the Planning Commission will be discussing that issue in August.

City Administrator Ulrich announced a cyber security session will be offered to Ramsey business owners on September 17, 2013.

4. MAYOR / COUNCIL / STAFF INPUT

None

5. ADJOURNMENT

Motion by Councilmember Kuzma, seconded by Councilmember Tossey, to adjourn the Work Session meeting.

The Work Session of the City Council was adjourned at 6:33 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.