

MEDINA CITY COUNCIL MEETING MINUTES OF DECEMBER 3, 2007

The City Council of Medina, Minnesota met in special session on December 3, 2007 at 6:32 p.m. in Medina City Hall for the 2008 Proposed Budget Truth in Taxation Public Hearing.

I. Call to Order

Members present: Weir, Crosby, Cavanaugh, Smith

Members absent: Johnson

Also present: City Administrator Chad Adams, Finance Director Jeanne Day, Planning Director Tim Benetti, and Police Chief Ed Belland

II. Introductory Comments – Mayor Crosby

Crosby provided background on process of preliminary levy and meetings conducted in the past several months by Council on the budget. He discussed the possible upcoming Council meetings to discuss the budget on December 18th and if necessary on December 10th. Crosby explained the proposed 34% tax levy is an increase in the amount of money that we are requesting to fund operations. He added that the effect of the 34% increase is closer to an average of about 27% due to the growth of the tax base in the City.

Crosby stated the City is not increasing operational service costs more than past years, but is changing the payment philosophy on how to fund the City's needs for programs including roads, environment, and equipment.

Crosby discussed alternatives with roads including the option of bonding for road improvements instead of paying for improvements today. He discussed the option of reducing services, possibly including the police department and evaluation of level of services desired. Crosby discussed the needs for fire capital improvements and options to defer or reduce. He added the environmental mandates and cost do not provide us with flexibility.

Crosby addressed the alternatives of taking back County Roads and stated the City is reviewing all alternatives before making a final decision. He explained the take-back of roads is not included in tonight's analysis.

III. 2008 Proposed Budget, Tax Levy and Tax Rate Presentation

Adams announced and presented a slide on the proposed 2008 budget increase at 22.21%, the proposed tax levy at 34.75%, and the proposed tax rate at 18.485%.

Adams referenced the mailed Truth In Taxation flyer the City sent to all Medina properties and provided an overview of the major budget increases.

Adams explained the total proposed road funding program for 2008 to be \$375,000 and the project expenses to be \$480,000, which will result in a net cash loss for 2008. Adams discussed the City's long-term analysis conducted for 2008 which included a pavement management program. He added the pavement management program demonstrates an average annual need of \$671,000. The take-back of County Roads and Municipal State Aid funds are not included in the road analysis. Adams stated a road assessment policy will be reviewed in 2008 in an attempt to off-set road expenses from the taxpayers.

Adams provided an overview of the environmental needs and mandates, including the Lake Independence Total Maximum Daily Load and City Storm Water Pollution Prevention Program. The funding for 2008 is proposed to be \$175,000 with an expense need of \$214,500. He noted a storm water utility could be created to off-set the taxpayer burden and the utility would be more equitable, even though residents will still need to fund the needs.

Adams summarized the long-term analysis conducted on fire equipment and facilities, as well as the funding amount of \$197,000 for 2008 and project expenses of \$97,000 for 2008. He added the City has no current fund balance as a reserve for fire needs.

Adams discussed the City's general capital improvement needs, with funding of \$100,000 and expense needs of \$295,500. The expense need for 2009 is \$223,000 and \$270,000 for 2010. The average annual expense is projected to be about \$250,000 per year beyond 2011.

Adams presented the operational increases in the Police Department at \$156,290, which primarily include contracts and other funding mandates, but also the full-time investigator that was appointed in 2007. He noted the other City general operating expense increases at \$66,154.

Adams explained the long-term analysis that was conducted in years past to include capital improvement planning, parks planning, staff needs/resources and water utility. He noted the water utility does not directly pertain to tonight's taxpayer discussion because the water funding comes from user fees, but the detailed analysis demonstrated a need to transfer utility funds to the general fund to cover employee time spent on water activities. In 2007, the City conducted a preliminary 30-year financial management plan assuming growth projections, fire capital improvement planning, environmental analysis, pavement management program, and facilities master plan. Adams added the 2008 long-term analysis will include formalizing the 30-year financial management plan, completing the growth analysis from the Comprehensive Plan, and completing a staff needs/resources and fire needs report.

Adams highlighted the results of the preliminary 30-yr. financial management analysis, which demonstrated a need for an annual average tax rate of 19.03%, not including debt service and 21.51% with debt service. He added the 2008 proposed tax rate is 18.49%.

Adams stated the 30-yr. plan will be available through Finance Director Jeanne Day and will also be posted on the City's website.

Adams displayed slides of the historical taxes payable and tax rates, as well as comparable tax rates to other communities of similar growth and proximity. Adams explained the effect of the tax rate on a \$500,000 home for area communities.

Adams provided the statistic of the per capita/tax levy comparison to area communities.

Adams explained the distribution of taxes for the City, County, School and other jurisdictions.

Adams presented options the Council has discussed to reduce the tax levy, including \$150,000 and thus creating a storm water utility, \$26,543 in staff deferred replacement/hirings, deferring construction of a concession stand that would save more operational costs in late 2008 and future years, cutting social service cost of \$8,250. He noted policy discussion could also be held on reducing services and program or defer transfers. Adams stated the balance of services to the cuts and resources must be considered.

Crosby provided an overview of three properties in Medina and their accommodating progression of tax increases amongst the taxing jurisdictions. He stated the City's tax increase has been low in the past four years. Crosby discussed the city percentage of tax to total tax over the past five years.

Crosby stated the City's financial statements are strong and fund balances are in strong condition.

Smith discussed the market value increases over the past years and how they are based on comparable sales of like properties in our community.

Crosby explained the effect of limited market value on taxes and values.

Weir stated the City could look only at the 2008 budget this evening, but there is wisdom in looking at the next 10 years in budgeting.

IV. Public Hearing

Mayor Crosby opened the public hearing at 7:15 p.m.

Bob Franklin, 2819 Lakeshore Avenue, stated the budget proposed looks like spending out of control. He discussed trends of City including the population increasing by 20% since 2000, staff numbers up 30%, general budget up 80%, with this proposed budget up 120%, the tax levy up 168%, and water and sewer up 238%. Franklin stated the tax rate is only one part of equation and the tax base is the other part, which represents market value increases. He explained that as the tax base grows, the tax rate should decline. He

stated that not all of the tax base increase is attributed to growth, but also to market value increases. He added limited market value has also affected properties. Franklin explained his market value has more than doubled since 2001. He stated that not all of Medina residents consist of wealthy homes and that in 2000 there were 46% of homes built prior to 2000 and the median owner-occupied home value was \$209,000. Franklin advocated for alternatives 1, 2 and 5 on the options slide. He suggested a City evaluation of all services and programs to find possible reductions and recommended a moratorium on all new City jobs, explaining it is important to compensate existing employees with sufficient pay and benefits. Franklin stated the role of consultants should be looked at and determined if they are serving to the degree in which we would like. He suggested a moratorium on new tax increment financing districts and that if businesses want to locate here, they will. He stated it would be foolish to take back roads from the County and explained other communities have more County roads than we do. Franklin suggested the City wait until 5000 population to rebuild roads to ensure the City receive the State municipal aid funding. He stated the City should consider bonding for roads and fire. He advocated for shelving the public works facility project and explained budgeting for the project seemed excessive for four full-time employees. Franklin suggested cooperating with other communities to gain purchasing power and thought a hard look should be conducted on the capital improvement plan. He recommended a review of fees and considering a growth tax.

Fred Webber, 100 Clydesdale Trail, Gramercy at Elm Creek, stated that there are people in fixed incomes in the City, including most residents in Gramercy. He requested the Council to consider those on fixed incomes when finalizing the budget decision. He commended the City for the presentation this evening.

Phil Zietlow, 875 Co. Rd. 24, stated the proposed 17% tax levy increase in 2006 was astronomical. He explained he supported current Council candidates last year under the impression that taxes would not continue to increase by double-digits. He added he felt embarrassed to be here tonight. Zietlow stated the budget has doubled in the last five years. He stated the services are about the same as five years ago and with the double of the outlay that residents are getting concerned. He suggested the tax increases should stop now and that the tax rate should have been frozen a few years ago and the property values alone would have supported the City's needs. He advocated for the City and Council to be more thrifty and encouraged the Council to be leaders by adopting a 3.4% increase.

Frank Mignone, 3316 Red Fox Drive, stated the cost of living is 3% and the City's budget should increase by the same. He explained the Council should proceed with caution based on the current economical time we are in and discussed the housing market and other factors that should affect the Council decision.

Darrell Johnson stated the slides presented demonstrated an expectation of objection and that the proposal resulted in sticker-shock. He stated he agreed with all the items Bob Franklin suggested. He stated the taking back of County Roads should be taken off the table. He questioned the operating costs annually for fire.

Adams stated the annual operating cost was \$295,000 per year.

Crosby stated the \$295,000 was in the existing budget.

Adams added the additional transfer of funds for 2008 equipment is \$100,000.

Crosby stated we work with all the fire departments and the costs of equipment are shared with other communities.

Smith explained the Hamel Fire Department currently replaced an old truck from 1974..

Cavanaugh stated all the Fire Departments have just now completed capital improvement plans as required by the City.

Adams added staff reviews the CIP's and is involved in the creation. He explained staff recently objected to a capital expenditure from the Long Lake Fire Department because it was not included in the CIP and the need was not critical in Staff's opinion.

Johnson thanked the City for that explanation and stated the limited market value as a concern as an effect on taxes as well.

Crosby read Jim Lane's written comments into the record. Lane stated he is utterly appalled at the proposed doubling of levy rate. It is unconscionable. It signals arrogance, ignorance, or total lack of fiscal discipline.

Smith stated the tax rate has not doubled.

Crosby explained the intent of the comment is in respect to Bob Franklin's comments.

Bill Loe, 2105 Pinto Drive questioned what he will be getting for the additional taxes he will be paying. He stated that we can apply micro logic that leads to macro nonsense.

Ronald Aberg, 3175 County Road 24, stated he appreciated the clarity in the presentation and thanked the City for their analysis. He questioned if the money being requested by the departments is what the City needs. He suggested a further monitoring of these requests and if they are essential or needed.

Crosby stated that the City Engineer assists in the creation of the capital plans for the City's review and the City expects those professionals to be providing the City with the information we need to make budget decisions.

John James, 1225 Maplewood drive, questioned if the growing tax base is from more growth or market value increases.

Adams stated he recalls the distribution to be 50 percent new growth and 50 percent market value increases from two years ago.

James asked how long that trend could continue.

Adams stated likely not that much longer and stated he believes the current figure may be closer to 60% market value and 40% new growth. He added the ratio will depend on the will of the Council to determine how much growth should be allowed in the next 30 years, which Staff tried to assume in the financial management plan.

James stated the presentation showed a lot of pre-payment of needs. He explained those future residents should be paying for those costs at that time.

Cavanaugh explained that many roads were paid for by previous property owners and the road costs are a drop in the bucket to start preparing for.

Smith stated the State did not fix the bridge that fell in because the people were not willing to pay. She added that waiting to maintain roads will result in having to re-build roads earlier than projected at a higher cost to taxpayers. She stated it would be foolish to not maintain our roads or infrastructure.

James stated he is not advocating to not repair infrastructure. He stated if a road needs to be maintained, let's do it. He stated we should be evaluating how that infrastructure should be paid for and we should not be pre-paying.

Smith stated roads needed for maintenance/reconstruction are outlined in the City's CIP, and we are not setting aside money for future years from now.

Crosby stated we could consider a bond issue and the users will pay. He cautioned the downside could result in a large tax hike in one year.

Franklin stated the City conducted a similar analysis years ago in Independence Beach.

Neal Barnes, business owner at 62 Hamel Road and resident at 204 Cherry Hill, discussed power shortages and generating power and the City provided many concessions to Target and the City were poor negotiators because we did not get these items. He stated his concern for empty buildings in Uptown Hamel. He asked if the 34% levy increase was fair or unfair. He stated the people were being compromised.

Crosby requested how they were being compromised.

Barnes stated the City needs to have more common sense with the budget increases.

Scott Eiden, resident of Medina, questioned the need for 11 police officers, an investigator, a drug officer. He stated the number of murders in the last 20 years were 0, the number of armed robberies are 0.

Smith stated those figures are not facts.

Belland stated those statistics are not accurate and explained there have been no murders in the last 20 years. Belland stated there have been 12 fatal accidents, hundreds of burglaries, thousands of thefts. He added the Police deals with sex crimes, assaults, burglaries, robberies. He stated there have been 86,000 crimes and calls for service in Medina in the last 20 years. Belland explained that Hennepin County was not responding to crimes in Medina and the clearance rate was 30%. He stated the City took over investigations four years ago and the clearance rate is now 70%. He defined a clearance rate as being when a suspect is arrested and case is closed. Belland discussed the position of the drug force officer and the request from Orono Schools for local police from five departments to respond to drugs in schools. Belland stated \$18 million dollars in street drugs were taken off the streets in the area this year. He stated the task force is making a difference.

Eiden questioned how many officers we need at any given time.

Belland stated the City has 24-hr. coverage, with six patrol officers, a sergeant, investigator and is what we need to have responsible 24-hr. coverage.

Eiden stated we spend too much money on bike trails and schools spend too much on unnecessary luxuries. He stated the City needs to live within their means. He added the new commercial businesses in the City need to pay their way and thought new businesses would help with the tax base. Eiden stated City services have declined since Jim Dillman left and complained about service to roads. He added the services have declined since 1992.

Ron Glover, 1555 Hunter Drive, stated he appreciated Bob Franklin's comments and agrees with those comments. He explained a double whammy with market value and rates is occurring. He stated when a 34% increase is proposed that either an entity is catching up from being far behind, that they are about to expand rapidly, or that something is broken and needs to be fixed immediately. He questioned how we are behind other communities and echoes most other comments that this is extraordinary.

Crosby stated that other communities are not proposing a higher increase because they are already there at a higher amount or plateau already. He explained we are not playing catch up and are not behind, but are trying to deal with the future in a responsible way.

Rodger Vieau, 3120 Cedar Avenue, stated it looks like we are trying to catch up due to past planners who have made mistakes. He explained the increases in his tax bill and expressed concern with the astronomical rate. He advocated for taxing at a fair and equal rate and that some had a decrease in 2007.

Day explained the tax rate had gone down and the market value did not increase that much resulting in a tax decrease.

Crosby explained the City has an Assessor that determines values and the Council can review assessments at a different meeting. He stated the values are increasing similarly to others in Hennepin County.

Smith stated the values are a year behind in how they relate taxes payable for the next year.

Weir stated the prices of homes have stayed higher in Medina based on a real estate analysis she has reviewed.

Smith stated the values are what we base taxes on and those are requirements of the State.

Crosby discussed the market and the rising values in the economy of the past compared to today's market.

Crosby explained the increase in the tax levy and the amount we are asking the County to certify in tax dollars we need to raise to operate the City. He explained the effective tax of about 27% on a house is lower because the taxes are spread across a larger tax base due to the new growth in the City.

Adams explained the tax rate is derived from market value and represents a rate, not a percentage based on a 100% scale. He stated that the state sets a class rate for all properties and that by taking the class rate times the market value the result is tax capacity. He added each property in Medina has its own tax capacity. He stated by taking the tax capacity for the City divided by the tax levy will equal the tax rate. He explained that taking the tax rate times a property's tax capacity results in the tax burden for a resident.

Cavanaugh explained the tax levy increase numbers and illustrated the total budget increase at an operating level versus a change in philosophy of how to fund capital needs and other necessary programs. He stated we have no control over the environmental mandates. He explained that if we wait to fund the needs and programs, it will result in an even bigger elephant five years from now.

Crosby stated he is hearing the current level of services are inappropriate for what residents are paying.

Dan Strand, 1985 Medina Road, stated he reviewed the County take back of roads and the cost to the City.

Smith explained it does not pertain to this year's budget.

Strand asked about State aid.

Adams stated it would be about \$135,000 year when initiated.

Strand asked if we did not take the \$135,000, if it is not affecting today's analysis.

Crosby explained we are not setting aside a savings fund for tomorrow's costs.

Strand stated we should not be paying for tomorrow's needs and he is willing to pay his part for today's needs and a reasonable amount of tomorrow's needs. He stated some of this analysis is not clear to him and cautioned that we do not cut police and fire needs if they are currently reasonable. He commended the Police Department.

Smith stated there may be a misconception that we are setting aside money for future roads. She explained the City's CIP shows projects for next year that we are funding for.

Barnes stated the City should invest in a business consultant rather than improving Hamel Road.

Linnea Ohnsorg, 1475 Blackfoot Trail, stated that we have added Police Officers and questioned if they would have more service in the rural residential services. She expressed concerns about the drugs in the area.

Belland stated the small steps in additional workforce have helped the City respond to the complaints and concerns of the residents. He stated they are busy responding to the complaints and concerns, including the speeding concerns on Medina's roads.

Helen Noer, Holy Name Drive, stated she is not opposed to Police work, but that it will cost \$3000 more per person in the police budget increases. She questioned what additional service she will be getting for the \$3000 per person. She stated the Police should be on local streets, not Highway 55 or County Roads.

Crosby stated that before the City provided 24-hour coverage, the County was called to respond to calls.

Belland stated the County and State do not patrol much in Medina.

Crosby explained the City has considered in the past to use consolidate with other departments, including West Hennepin, but the City decided to personalize our department.

Franklin stated the City considered consolidation in the past and there were concerns with response times if an officer was in a neighboring community. He stated he does not have a problem with the current level of service in the City, generally, but suggested we not expend beyond our means and requested additional review.

Crosby stated Fire is a big issue in the City. He explained there are few local service businesses today that are able to attract fire members to serve in our communities. He stated Long Lake is hiring a full-time Fire Chief and Plymouth has a four-member duty

crew to provide immediate response. He added the City is reviewing how many departments and the level of service we need to have and how to be more efficient, for example, what are some alternatives to buying a hook and ladder truck to all departments if they are requested.

Webber stated the per person police increase results to \$30 per person, not \$3000.

Lisa James, Medina Morningside, stated the City has no control over other jurisdiction increases, but requested consideration to stop the tax increases and that they can't afford this.

Smith stated the biggest chunk of tax dollars is from Hennepin County and she advised residents to also attend that hearing session on December 6th.

An unidentified speaker discussed there needs to be more efficiencies to take pressure off the \$733,000 increase.

An unidentified speaker stated that businesses want to move out here, but we are not optimizing those small opportunities and we are providing them with too much. He requested we focus more on the small businesses and not incentives to large businesses.

Gary Muchler, 4125 Chippewa Circle, stated he was concerned about road maintenance on his road and desires improvements on his road, but noted the people are speaking against the increase in taxes, as recently occurred in Delano School District. He stated the presentation was good and some may be justified, but the residents can not give any more. He expressed concern with market value increases. He stated sometimes we need to just do without and live within our means.

An unidentified speaker stated the people attending tonight are here to express their concern for the Council's authority to vote on the budget, because the people can not vote directly on the budget.

Cindy Duke, Holy Name Drive, stated we need to think about everybody.

Eric Stroman, County Road 24, stated he agreed with bonding for the roads, including water.

Crosby explained the water costs are bonded for and those are utility not taxpayer costs. He added the park costs are funded through developer fees.

Adams explained park dedication is used on capital projects.

Crosby thanked the public for attending and stated the public should continue to attend in the future to express their comments or concerns. He stated the Council would continue to discuss the budget.

Smith requested a special budget work session on Monday, December 10th to discuss the budget.

Crosby stated the Council could make the scheduling decision at tomorrow night's regular Council meeting.

Adams explained the special session would have minutes and a presentation would be made on December 18th on any revised proposal.

Crosby stated the City has had four work sessions to date.

Smith asked how more information would be provided to Council and when Staff needs to know what items are requested for information.

Adams stated it would be good to have broad direction from Council at tomorrow night's meeting, involving philosophy or service reduction.

Adams stated the Council needs to close the public hearing and he needs to provide details of the next meeting.

Mayor Crosby closed the public hearing at 9:00 p.m.

Adams announced the budget discussion will be continued at the December 18, 2007 subsequent hearing at 7:00 p.m. in Medina City Hall and the Council will consider scheduling another budget session on December 4th.

*Weir Moved and Smith seconded to adjourn the meeting at 9:02 p.m. **Motion passed unanimously.***

T.M. Crosby, Jr., Mayor

Attest:

Chad M. Adams, City Administrator-Clerk