



City Council Work Session

Meeting Minutes

Cedarholm Community Building, 2323 Hamline Ave N

Monday, July 16, 2018

1. **Roll Call**

Mayor Roe called the meeting to order at approximately 6:00 p.m. Voting and Seating Order: McGehee, Willmus, Laliberte, Etten, and Roe. City Manager Patrick Trudgeon and City Attorney Mark Gaughan were also present.

2. **Pledge of Allegiance**

3. **Approve Agenda**

Willmus moved, McGehee seconded, approval of the agenda as presented.

Roll Call

Ayes: McGehee, Willmus, Laliberte, Etten, and Roe.

Nays: None.

4. **Public Comment**

5. **Recognitions, Donations, and Communications**

6. **Items Removed from Consent Agenda**

7. **Business Items**

a. Review 2019 Changes in Property Tax Base, Legislative Changes, and Other Budgetary Impacts

Finance Director Miller briefly highlighted this item as detailed in the Request for Council Action (RCA) and related attachments dated July 16, 2018. He noted that Roseville's overall market value (tax base) is projected to increase 5.6%. The median-valued, single-family home is projected to increase 7.6%; from \$236,900 to \$254,900. In the aggregate, the market value for the median single-family home has risen faster (7.6%) than all other property types (5.6%). This means that holding all other factors constant, there will be a shift in the overall tax burden to single-family homeowners. This is in contrast to a year ago, when the tax burden shifted in the opposite direction. For example, a 2019 tax levy increase of 3.5% will result in an estimated 5.9% tax increase on the median valued home.

Finance Director Miller also highlighted the 2018 State legislative session, noting relatively little new legislation actually became State Law. Only one known change has been identified that will have a substantive impact on the City's 2019 budget and tax levy. It involves an increase in the Police & Fire PERA employer contribution rate from 16.20% of salary to 16.95%; this results in a budget & tax levy impact of approximately \$44,000. The employee contribution rate also increased. There were a number of other legislative pieces that will likely come

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into play in some form including the increase in the competitive bidding process threshold from \$100,000 to \$175,000. However, this will not necessarily have an immediate or direct budgetary impact in 2019. There were also a number of increases for various infrastructure and economic development funding that the City will potentially have access to.

City Manager Trudgeon noted that the Council had previously decided to send out the budget response cards, so that the public would have the opportunity to comment on the City Manager's proposed budget. He asked for Council feedback on the potential wording of the response cards.

Councilmember McGehee noted that the commercial/industrial and apartment units had different tax valuations as compared to the single-family homes. She also noticed that a lot of money was passed for parks and recreation in the 2018 State bonding bill. She wondered how the City could get on the list of things that were itemized for funding.

Mayor Roe clarified that the Assessor's report lists the median value, which can be challenging to track with commercial/industrial, since property values range so widely in that category. He noted that the aggregate figure is perhaps more meaningful, as it increased 3.8%.

Councilmember Willmus commented on the median value of residential, noting that the numbers on page 1 of the RCA were taken from the County, which takes its information from the Northstar/MLS. Current data may show that these numbers are about 10% low. Looking at the transition from commercial properties to residential properties, it will be magnified even more going forward, as those numbers start to hit the books at the County.

Councilmember Laliberte noted that the City will have to be talking to the legislators about the City's bonding request during the entire 2019 session, because there will be a lot of education involved. It looks like there will be a lot of changes in the legislature, so many members will not know about regional assets.

Mayor Roe noted that what is approved in the bonding bill is not always what everyone wants at the local level. Ultimately it comes down to the choice of the legislature.

Mayor Roe moved the discussion to the draft budget response card.

Councilmember McGehee noted it would be nice to include space for any additional comments that did not fit into the printed questions. She also asked for a hard copy of the Power Point presentation from this agenda item at City Hall, should residents want to come in and look at it.

Councilmember Willmus asked if a person can fill out multiple online responses.

City Manager Trudgeon noted that each response asks for the resident's name. Sometimes residents think of another comment later, but there has not been a problem with abuse of this in the past.

Councilmember Laliberte asked if the name field will be a required field.

City Manager Trudgeon responded it has been required in the past, and people have not had a problem with it.

Councilmember Laliberte asked about question #1, as it is written with a yes/no/maybe, but there is a lot of space for a longer response.

City Manager Trudgeon indicated in some cases people make a note, but that can be shortened up to a yes/no checkbox.

Councilmember Etten suggested asking *in what ways does the proposed budget align with your priorities?* and another question asking *in what ways does the proposed budget not align with your priorities?*

Councilmember Etten also suggested exchanging the word Roseville with the word "his" at the top of the document, to clarify this is not the approved City budget, but rather the City Manager's proposed budget.

With no other feedback from the City Council, Mayor Roe concluded the discussion and introduced agenda item 7.b.

b. Receive the 2019-2038 Capital Improvement Plan

Finance Director Miller briefly highlighted this item as detailed in the RCA and related attachments dated July 16, 2018. He explained the 2019-2038 CIP represents the City's long-term plan for replacing its infrastructure, facilities, and vehicles and equipment which are critical to maintaining City programs and services. This CIP contains assumptions on asset lifespans and replacement costs. It also assumes that all existing city functions and programs will continue at current service levels and the City's asset and infrastructure needs will remain unchanged moving forward. In addition, the CIP represents a projection of when asset replacements are likely to occur. However, each individual asset is scrutinized prior to replacement to determine whether it's still needed and if so, whether it truly has reached the end of its useful life. It is not uncommon to defer the replacement of assets if they are still in good condition. Conversely, staff can sometimes determine that the replacement of an asset needs to be expedited because it is failing sooner than expected. Because of these uncertainties, staff

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tends to focus on the long-term sustainability of the asset replacement programs rather than committing to a rigid replacement schedule.

Finance Director Miller continued that the City's total asset replacement need over the next 20 years is \$186.7 million. In contrast to the projected CIP spending of \$186.7, the City expects to have only \$178.6 million available over that same time period based on current funding and cash reserve levels; this leaves a funding deficit of \$8.1 million. By way of comparison, the funding deficit five years ago was approximately \$70 million.

Finance Director Miller noted that the General Facilities Replacement Fund is projected to have a deficit in 2020 and will have an accumulated deficit of nearly \$2.3 million by 2038 unless additional funds are appropriated or planned improvements are delayed or scaled back. Those projections include approximately \$3 million in improvements for the OVAL. The City intends to seek State monies to offset some or all of these costs, but until that outcome is known, the costs are included in the projection.

Councilmember McGehee asked what would happen to the fund if State funding is awarded for the OVAL.

Finance Director Miller indicated that that additional \$3 million would bring the fund back up to zero.

Finance Director Miller continued with his presentation, noting that in the Park Improvement Program over the next 20 years, \$14.6 million in planned park improvements are scheduled with only \$9.1 million available based on current revenues and cash reserves. He also commented that the Pathway Maintenance Fund is underfunded over the next few years due to a revised cost estimate for the replacement of the City Hall parking lot. Staff's recommendation is to solve the problem by a one-time \$350,000 transfer of monies from the Pavement Management Fund.

Finance Director Miller went on to discuss the Water funds, which have some near-term funding deficits that will need to be addressed with a combination of rate increases and selective asset replacement deferments. He suggested a possible base fee increase of 4-5% to bridge the funding gap in the Water Vehicle and Equipment Fund. He noted the Sanitary Sewer fund is in good shape for the long-term, but there are some deficits in the next 7-8 years. Staff will be recommending an increase in the base fees to shore up the deficits over the next 10 years.

Finance Director Miller then talked about the Golf Course/Cedarholm Community Building funds. There are still some needs like the irrigation system, the mowers, the gas pumps, and the maintenance building. This is a conversation

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the Council has had on many occasions. Now that there is a new business model in place, it is harder for staff to make projections, so modifications will be made to the projections accordingly in the years ahead.

Finance Director Miller concluded by discussing funding strategies and impacts on homeowners. In 2012, the Council made the following recommendations:

- In 2019, repurpose levy from Arena Bond issue #28 in the amount of \$355,000.
- In 2019, issue an additional tax levy in the amount of \$200,000 in the Pavement Management Program,
- In 2020, repurpose the Park Improvement Program levy (partial) in the amount of \$650,000 from Bond issue #27.

Finance Director Miller then explained staff has new recommendations, based on more up-to-date information and revised financial projections:

- In 2019, re-purpose the expiring \$355,000 debt levy from the Arena bonds towards the Facilities Fund consistent with the original Plan adopted by the Council in 2012.
- For 2019, forgo the \$200,000 new tax levy originally earmarked for the Pavement Management Program Fund in favor of waiting until the 2020 opportunity to re-purpose the expiring \$765,000 City Hall/PW Building bonds to the Park Improvement & Pavement Management Programs. Based on current projections the expiring debt levy will be sufficient to bring both of these plans into financial sustainability.
- For 2019, perform a one-time \$350,000 transfer of monies from the Pavement Management Program fund to the Pathways and Parking Lots Fund to address the higher than-expected City Hall parking lot replacement. Future appropriations from the repurposed City Hall/Public Works Building debt levy to the Pavement Management Program fund will be sufficient to bring that fund into financial sustainability despite the \$350,000 transfer out in 2019.
- For 2019, continue to adjust the base rates for the water, sanitary sewer, and storm sewer as needed to accommodate planned capital replacements. A more specific recommendation will be forthcoming after the annual utility rate analysis is complete. However, it appears that a 5% increase in the base water & sewer rates will be needed to address near-term capital replacements.
- Tentative for 2020, re-purpose the expiring \$765,000 City Hall/Public Works Building bonds to the Park Improvement & Pavement Management Plans. Based on current projections, the expiring debt levy will be sufficient to bring both of these plans into financial sustainability.

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- For the nearly \$3 million in OVAL improvements scheduled for 2021, pursue special legislation for inclusion in a future State Bonding Bill.

Councilmember Willmus asked about the Finance Commission's view of the various staff recommendations.

Finance Director Miller responded that the Finance Commission is still exploring the options. During the Finance Commission-City Council joint meeting in September, the Finance Commission will have a number of recommendations. This area will be one of them. In the General Facilities Fund, there is agreement. The Finance Commission does have concerns about the Pavement Management Program, allowing the reserve level to draw down too far. They would prefer to keep it as an endowment fund and live off the interest earnings.

Councilmember Willmus asked about page 3 on the RCA, specifically the paragraph about the projected deficit and measures that have been taken.

Finance Director Miller read aloud the following paragraph from page 3 of the RCA:

In contrast to the projected CIP spending of \$186.7 million, the City expects to have only \$178.6 million available over that same time period based on current funding and cash reserve levels; leaving a funding deficit of \$8.1 million. In comparison, the funding deficit five years ago was approximately \$70 million.

Finance Director Miller noted that about \$60 million in deficit has been taken off the books due to the actions of this Council and previous Councils. These were difficult decisions, but the outcome is that this is getting very close to sustainability.

Councilmember McGehee stated this has been a collaborative effort between the Council and the City staff.

Councilmember Willmus added that this also speaks to the fluidity of the document itself. The constant updating and adjusting of this is a big part of it.

Mayor Roe noted that the vision in 2011/2012 was to make sure every year as a City, the Council look at all projected costs and funding and always doing the necessary analyses to get to the sustainability the City is looking for.

Councilmember Laliberte agreed with the comments of her colleagues. Additionally, any discussion of repurposing a debt levy for another reason requires a conversation with the community.

Councilmember Etten noted most Cities are not addressing the water needs and capital needs across the country, according to an NPR story he recently heard, so Roseville is way ahead of the curve in that area. In regards to the shifting and making changes as needed, the Attachment D shows what the plan was last year, but the changes proposed due to updated data. He appreciates that continuous work.

Mayor Roe asked about the maintenance building at the golf course. He asked whether there has been talk about funding that through either the Parks CIP of and/or General Facilities fund and what the Council's decisions over the next two years might have to look at.

Finance Director Miller responded that has been a conversation at the FC level and at the Council level. The capital needs have always been the issue. Enough people have looked at the financials of the golf course and what was working in the last decade and what shortcomings may have existed to get the capital needs addressed. There may well be a tax levy component to managing and providing for these facilities. When that gets wrapped in to the broader Park Improvement Program or Park and Rec fund or the General Facilities fund, that needs to be decided on sooner rather than later. It may help that conversation to have financial results from the new look that is in place, and whether that gives the City a nice financial bump. That might make the conversation easier.

Mayor Roe commented that for a 2022 or 2023 projected expenditure, perhaps money should be set aside in 2019, 2020, and 2021. He asked whether another funding source could be the Park Dedication fund. That is not an easy subject to look at as a funding source either, and it needs to be on folks' radar now.

c. Discuss City Council 2019 Budget Goals

Finance Director Miller summarized the RCA dated July 16, 2018. He welcomed any input and guidance from the Council tonight. He highlighted 3 areas that staff would particularly like feedback on:

- The Council's desire for changes in programs or service levels (i.e. are the condition of city streets or police & fire response times acceptable?);
- The Council's need to establish new programs or initiatives (i.e. are there any unmet needs that should be addressed?);
- The Council's acceptable level of property tax and fee impacts on homeowners (i.e. given the programs and services aspired to, is the associated burden on homeowners acceptable?).

Councilmember Etten stated he would like to limit the new levy support of positions or programs to moderate the effects on the taxpayers because of some of the baked-in items, like the required increased financial commitment to the

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pensions of the public safety employees as well as the shifting tax burden for single-family homeowners. He also would like to ensure City funding in these areas: helping to implement elements of the Government Alliance on Race and Equity (GARE) program; ensuring CIP is fully funded; continuing to think about natural resources; keeping a focus on Rice-Larpenter and initiatives with the neighboring cities and the County to ensure there is a program for success there.

Councilmember Willmus stated he generally agrees with Councilmember Etten. The Council has to be cognizant of what is going on around the City as well. The Council is responsible for the City of Roseville budget and levy as well as the EDA budget and levy. Property taxpayers in Roseville have experienced significant increases through bond issue or increased levy issues for the school districts. It is important to make the commitments to the CIP and make adjustments as necessary. Regarding changes in programs or service levels, that is a tricky question because of where the Council is in the budget process. Many Councilmembers will be out meeting with the public, and that will play into his positions right up until the final budget and levy is created. It is important to know what the expectations of the community is. That is an area where the Council needs to be somewhat flexible. It would be a disservice to say nothing will be changed.

Councilmember McGehee expressed support for GARE and the natural resources program. There was some significant feedback from the community survey, and there were also some significant changes from the joint meeting with the Park and Rec Commission. It is time to regroup and see what kind of a financial bump may be had from the community building. She also thinks it is important to keep working on the reserve spending. If the City were to take care of its reserves and go forward without any further initiatives, it would be an annual increase of \$500-\$600 for the median priced home. That is a lot. She wanted to put out the figures to the public. She likes not using reserves and the attempts to wean the City budget off relying on reserves.

Councilmember Laliberte responded she has been thinking about the community survey. The City is doing a pretty good job with the roads, and it can also be difficult to know what is a City road and what is a County road. Traffic and congestion are issues, and the City has to continually be working with other partners to address those issues and come up with solutions to get people moving through the City better. Focusing on infrastructure is important, and maybe taking a look at the perception of rising crime. She believes the program and service levels currently being offered need to stay where they are at, because attention needs to be paid to the reserves and the CIP.

Mayor Roe commented that another \$100,000 towards reducing the use of reserves is healthy. However, the Council may want to look at more than that.

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One of the things the Council can do is when concerns related to crime or streets arise is look at shifting existing resources.

Councilmember Laliberte followed up on the issue of transportation in the SE Roseville area, noting that an update on the private circulator bus is also necessary.

City Manager Trudgeon responded an update will be provided on the circulator bus in August.

Councilmember Willmus asked about some numbers in the table on page 2 of the RCA. At the License Center, there is a reserve reduction of \$515,836.

Finance Director Miller responded that it is not a firm number. It is something that was programmed into the CIP a while ago. Staff needs to come back to the Council again to talk about the number. He does not sense that is the way anybody on the Council wants to go.

Councilmember Willmus stated those dollars may be directly reallocated to weaning the City off reserves. He would like to explore that, as that will go a long way to correct the issue for 2019 in that area.

Councilmember Etten commented that, in that case, the City may be using reserves to wean itself off reserves. It may be a needed as a bridge to wean off reserves, but it is a short-term fix. Ongoing operating costs should be funded in an ongoing way. Extra reserves are a great spot for the CIP.

Councilmember McGehee concurred with those comments. She noted it is fine to repurpose it for other expenditures in the CIP, but not to use it as a one-year fix to buy down the reserve. As far as the perception of crime, a lot of it is related to shoplifting. Perhaps a request could be made for support from places with such high volumes of service. Wal-Mart and other retail places do put a strain on resources due to their high volume of calls.

Mayor Roe noted there is a change to the model of the License Center due to the ownership of the building. He asked whether that will be lumped into the License Center itself in the budget documentation or whether the building will be separated from the License Center functions.

Finance Director Miller responded staff is segregating the operations of the site itself from the operations of the License Center, to create more accountability and more transparency.

City Manager Trudgeon asked if there are any questions on the CIP. He encouraged Councilmembers to reach out to staff with any particular questions.

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8. Approve Minutes

9. Approve Consent Agenda

10. Council & City Manager Communications, Reports, and Announcements

City Manager Trudgeon reviewed the EDA meeting tomorrow as well as next week's Council meeting. He noted two Councilmembers will be absent on the 23rd.

Councilmember Laliberte asked about the upcoming joint meeting with the Planning Commission.

City Manager Trudgeon responded it will be a review of the Planning Commission's accomplishments, including their work on the Comp Plan, as well as any Council-directed items for future Planning Commission work.

11. Councilmember-Initiated Items for Future Meetings

12. Adjourn

Etten moved, Laliberte seconded, adjournment of the meeting at approximately 7:31 p.m.

Roll Call

Ayes: McGehee, Willmus, Laliberte, Etten, and Roe.

Nays: None.

Daniel J. Roe, Mayor

ATTEST:

Patrick J. Trudgeon, City Manager