

MEDINA CITY COUNCIL MEETING MINUTES OF DECEMBER 8, 2008

The City Council of Medina, Minnesota met in special session on December 8, 2008 at 6:35 p.m. in Medina City Hall for the 2008 Proposed Budget Truth in Taxation Public Hearing.

I. Call to Order

Members present: Crosby, Cavanaugh, Smith

Members absent: Johnson, Weir

Also present: City Administrator Chad Adams and Finance Director Jeanne Day.

II. Introductory Comments – Mayor Crosby

Crosby explained the difference between this Truth in Taxation (TNT) meeting and the Board of Appeals meeting each spring. He stated there were mailings in November that outlined proposed taxes for 2009 along with a handout from Medina that provided detail on the proposed budget. He added the City may decrease the tax levy by the end of the year, but not increase.

Crosby provided some background on last years TNT meeting and the needs outlined for roads and equipment. He stated the City decided to reduce the proposed tax levy increase for 2008 as a result of the tax hearing and that the City would instead focus on bonding for such projects.

Crosby discussed the number of Council work sessions held and Open House in August to better promote the City's proposed budget and needs which include roads, equipment replacement and unfunded environmental mandates. Crosby stated the Storm Water Utility was created to address the environmental mandates rather than using tax dollars.

III. 2009 Proposed Budget, Tax Levy and Tax Rate Presentation

Adams presented a number of slides outlining the 2009 proposed tax levy, budget and tax rates.

Adams explained the City is subject to tax levy limits for the next three years. He stated Medina's limit, not including special levies, is 6.79% and the City is currently proposed 6.46%. He added, however, that the City has chosen to implement one special levy that brings the total tax levy increase to 12.42% due to equipment debt service that has been committed to previously this year by the Council. Adams stated the City will not be receiving state Local Government Aid in 2009 and the City is also subject to state increases in retirement contributions.

Adams stated the City's actual 2008 budget was \$4,158,825 and the proposed 2009 budget is \$4,047,429 that results in a negative 2.68% increase. He explained the decrease is a result of a major shift in an accounting method relating to our planning reimbursables being accounted in a separate fund rather than through the general fund. Adams stated the 2008 property tax levy was \$2,423,714 and the proposed 2009 property tax levy is \$2,724,719 which results in a 12.42% increase. He added the 2008 tax rate was 15.434%, the 2009 tax rate with no levy increase would be 14.766% and the 2009 proposed tax rate is 16.627%

Adams presented the City's TNT flyer that was sent out with the County's TNT statement in November.

Adams explained the 2009 budget increase breakdown including a total increase in net taxes of \$301,005. The tax increase includes: \$144,430 in equipment certificates for equipment acquisitions over the next two years, but spread over three years; \$89,300 for fire tanker trucks; \$81,700 for road salt/sand, road patching, road cracking sealing and road seal coating maintenance; and, other net budget increases off-set by increased police fine revenues and revenue transfers from utilities.

Adams provided details on the long-term road needs and costs through 2012. He stated that special assessments, road fund balances and road bonding will be needed to fund future road maintenance.

Adams stated other long-term needs include fire equipment and facility expansions, a new public works facility, and equipment needs through future bonding.

Adams discussed the City personnel status and no request for additional staff in 2009, no change in city contributions toward health or benefit packages, mandatory retirement increases through the state, and that salaries/wages are set at a 3% cost of living increase not including pay grade step increases.

Adams stated the City has conducted a number of long-term planning documents to help the City plan for the 2009 and future budgets. He added the documents include a 20-year financial management plan, fire capital improvement plan, facility needs analysis, road pavement management program, staff/resource analysis, and utility capital improvement plan and rate analyses. Adams explained in more detail the projected tax rates for the City in the year 2010 of 19.30% and 28.65% in 2015 based on these needs.

Adams provided a slide on the history of the City's tax levy and tax rate since 2000.

Crosby stated the main reason the City's tax rate has been declining is due to market value and tax base increases.

Adams provided comparisons of the average tax rate of the eleven closest geographic cities in the area of 29.61% in 2008. Medina's was the second lowest at 15.43% with

Orono's being 13.58%. He added detail on the tax cost affect of a \$500,000 home and comparisons to neighboring communities.

Adams presented a slide of what City taxes buys a resident in comparison to other private purchases based on a \$500,000 home. He stated City taxes result in \$70/mo. and compared to a popular family cell phone monthly plan, family cable plan monthly, and fast food meals purchased monthly.

Adams provided an overview of the City's per capita tax spending over the past four years resulting in \$493 in 2008 and the average of neighboring cities at \$556 in 2008.

Adams explained the distribution of total taxes in the City (school, county, City) and how Medina compares in the Wayzata and Orono school districts.

Adams stated the City may hold a continuation hearing on Monday, December 15th or a subsequent hearing on December 16th.

Crosby explained the City is unlikely to conduct any road bonding in 2009 and the City has been conservative in our financing largely due to our low level of tax supported debt.

Crosby stated more public information would be provided in the future on the public works facility and road bonding needs.

Smith stated the budget may increase a little at the next Council meeting based on road transfers and budget deferrals.

Cavanaugh explained that road costs will not decrease and the City must be aware that funding will be needed to support these projects.

IV. Public Hearing

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

Don Gaspar questioned why there is a tax on storm water and why Baker Park is not included. Adams explained Baker Park is exempt as are all City parks. Baker Park is also exempt because they are required to implement programs, at their cost, to improve the water quality of Lake Independence. Adams stated City properties such as water treatment facility and City Hall are subject to the storm water utility fees. Adams explained that other jurisdictions including Hennepin County, churches, and MPCA are paying the storm water utility fees.

Gaspar questioned why the City is following the mandates. Adams stated the MPCA will require the City to implement measures and may be subject to fines if we choose not to participate. Gaspar suggested not to follow the mandates and that the fines may be cheaper than the storm water utility charges. Crosby stated the City has taken a leadership role in responding to the water quality problems. Smith stated the

environment is too precious to ignore and that is our responsibility to respond to the water quality needs.

Additional discussion was held on Baker Park's and Hennepin County's contributions toward the storm water utility.

Eleanor Degman asked about the constitutional amendment recently passed and how that may help Cities. Adams explained that the amendment should bring more funding to Cities, even though cities would still have to contribute a small share of project costs. Adams stated the City would still need a storm water utility charge to fund projects as well as annual maintenance even if state funding programs increase. Adams stated the City will also be subject to more mandates of future TMDL's in the City.

Mike Zeglin, Lakeshore Avenue, stated he did not get the tax increase notice last spring. Crosby explained the County sends out the notices. Zeglin explained his market value increases and how it compares to other properties in his neighborhood. Crosby stated the City was aware of the Lakeshore value increases as was presented by the City's Assessor.

Bob Franklin, Independence Beach, stated the market value system is broken and was based on two isolated sales.

Al Dupe questioned if foreclosures are considered in market value increases. Additional discussion was held amongst the Council and public. Cavanaugh advised that residents come fully prepared to the Local Board of Appeals meeting with justification for market value decreases.

Jeff Martin, 2455 Lakeshore Avenue, asked what the City's percentage increases will be in the next 5 to 10 years. Adams explained that current City projections show larger increases in the next 5 to 6 years as related to capital improvement projects, then stabilizing.

Bob Franklin, 2819 Lakeshore Avenue, stated we are in tough economic times and the City should be mindful of tax increases at this time. He stated the City has increased staffing and the City should make harder decisions on filling positions. He added increases in taxes should be more reflective of inflation. He requested that the winners of recent elections should not view the results as a mandate for tax increases. He requested the City maintain the City's tax rate.

Crosby stated the City is pushing off project including road maintenance, public works facility and recently the City Hall project by a few more years.

Smith stated we need staff to conduct road maintenance, provide public safety services, and that the City previously hired consultants to do the work that our full-time staff is doing now. Smith advised the City should include a list of accomplishments in future presentations.

Crosby explained that the City is now conducting more code enforcement including first time septic system inspections, conditional use permit review, etc. in 2008 because we didn't have staff resources to provide these services in the past. He acknowledged the City may attempt new approaches to get the word out on City issues.

Martin advised the City could provide more detail in the City newsletter and should solicit more volunteerism to do more projects.

Discussion was held on the City's drug task force and size of the City's Police Department.

Dick Picard, Independence Beach, questioned the terminology of "reducing affect on most residences" in the City's flyer. Crosby explained that if the City's levy is increasing, that does not necessarily mean a property's taxes are increasing by that amount based on the City's tax base growth offsetting the tax levy affect. Smith added that the City's growth is helping the tax levy affect on actual property taxes.

Dale Consadine, 2265 Chestnut Road, stated her market values are increasing and she is having difficulty with her ability to pay property taxes.

Bud Nadole, Deerhill Road, expressed his concerns with market value and property tax increases.

Cavanaugh moved and Smith seconded to close the public hearing at 8:30 p.m.

Adams stated the City's subsequent hearing will be held on December 16, 2008, at 7:00 p.m. in Medina City Hall.

The meeting was adjourned at 8:31 p.m.

T.M. Crosby, Jr., Mayor

Attest:

Chad M. Adams, City Administrator-Clerk