

***ANDOVER CITY COUNCIL WORKSHOP MEETING – SEPTEMBER 4, 2018
MINUTES***

The Workshop Meeting of the Andover City Council was called to order by Mayor Julie Trude, September 4, 2018, at 7:41 p.m., at the Andover City Hall, 1685 Crosstown Boulevard NW, Andover, Minnesota.

Councilmembers present: Sheri Bukkila, Valerie Holthus, Mike Knight and James Goodrich

Councilmember absent: None

Also present: City Administrator, Jim Dickinson
Public Works Director/City Engineer, David Berkowitz
Others

2019 BUDGET DEVELOPMENT DISCUSSION

Mr. Dickinson explained City Administration/Finance along with the department heads continue to work on the 2019 annual operating budget development process and are looking to update the City Council on progress and seek direction as the preparation of the 2019 annual operating budget proceeds.

Preliminary Anoka County assessor taxable market value figures for the City of Andover are reflecting a 5.68% increase in total taxable market value.

With property tax revenues making up close to 80% of the total General Fund revenues, cash flow designations approaching 50% are recommended by the City's auditor. The 2018 budget exceeded this guideline, also Emergency Fund Balances (approximately 3% of planned General Fund expenditures) are in place to stabilize a situation, not to be a complete solution.

The adopted 2018 debt levy was 12.88% of the gross tax levy. 2019 is currently proposed at 16.15% of the gross tax levy. The 25% budget guideline for the debt levy provides reasonable margin to accommodate additional debt next year. It was noted for the 2017 & 2018 budgets, \$500,000 & \$525,000 respectively of existing debt levy through 2016 was temporarily moved to a Capital Levy to fund planned equipment purchases (rather than issuing debt), that decreased the debt levy percentage of the gross tax levy significantly. The \$525,000 is returning to debt levy for the 2019 budget and tax levy.

The City Vehicle Purchasing Committee has performed an equipment cost benefit analysis and has made recommendations to the City Council as part of the 2019-2023 Capital Improvement Plan (CIP) development process for equipment replacements.

The City continually maintains various financial models to determine the long-term impacts of present-day expenditures and financing decisions. Fiscal assumptions are based upon a complex set of financial data including growth factors, tax capacity valuations, per capita spending and debt ratios.

Administration has received new full-time staffing requests from the Fire Department, Engineering Department and the Community Center for consideration in the 2019 budget. The Fire Department staffing request focuses on administrative support and community education activities. The Engineering Department request is for a Geographic Information System (GIS) specialist position to focus on mapping solutions. The Community Center has requested an Assistant Manager to assist with facility and recreational management. Administration is continuing to review the requests with the respective departments and will make a recommendation on the positions to the Council at a future workshop, but the proposed budget is currently carrying a \$50,000 place holder in the General Fund for staffing enhancements.

Councilmember Knight asked about the Assistant Manager position. Mr. Dickinson clarified this would be only on the City side of the community center operation.

Councilmember Holthus asked how much the building intern makes. Mr. Dickinson replied the hourly wage is \$18 - \$23.

Human Resources has reviewed all position-based salaries, and the associated benefit package, to determine if the total package is competitive with other government entities. Based on the research, there are a few positions where salaries are lagging the market. The 2019 budget proposal is carrying a place holder to address those positions. Overall, pay steps for eligible employees are included in the 2019 budget proposal. A cost of living adjustment (COLA) for non-bargaining employees is currently being evaluated and the 2019 budget proposal has a placeholder to provide a COLA adjustment. The current Public Works Union contract expires December 31, 2019, and the negotiated wage increase of 3% for 2019 is included in the 2019 budget proposal numbers. A midyear review of the employee health plan was conducted with the City's broker in late July. The group has had some high claims this past year and the broker is predicting a significant increase in the rates. Administration is working with the broker to market the group to other qualified insurance providers and is also considering plan modifications. The 2019 budget proposal is currently carrying a place holder for a significant increase (20%) in the rates. Mr. Dickinson is hoping for a single digit percent increase.

The City Attorney agreed to a fee neutral status-quo service level contract for 2018. There have been discussions on the contract for the 2019 budget, but nothing finalized as of yet.

Staff has had discussions with the Anoka County Sheriff for a 2019 contract and has received a proposal for a status quo contract. That proposal reflects a 4.26% increase (\$130,084) over the 2018 contract. The primary driver of the contract increase is the recent wage settlements with the various bargaining units for the Anoka County Sheriff's Department. Another driver is the inability to be able to acquire sedan squads. The only option at this time is SUVs. The contract

will be brought to a September City Council meeting for approval.

Some Council memberships and donations/contributions: are funded via the General Fund, and those that qualify for charitable gambling funding are done through the Charitable Gambling Special Revenue Fund.

Councilmember Bukkila asked to add a contribution amount. Mr. Dickinson said that could be considered at a future meeting as we review the Charitable Gambling Fund budget. Hope for Youth was suggested as they are addressing young adult homelessness. There was discussion about how the charitable gambling money is used. The response was to use the funds for the “vices of gambling.”

Councilmember Goodrich asked about sheriff call load data. 2018 was about the same as 2017, so staffing increases cannot be justified. Councilmember Holthus commented she appreciates the current officer in the Andover High School. Mayor Trude reminded the Council the City provides a service for those who work and go to school in the City, just as other cities provide for Andover’s students and residents. Councilmember Bukkila asked about how the time is spent when the officer is not in the school, e.g. during the summer months. It was clarified the officers themselves do not see the 4.26% increase in the contract, as their rate is determined by the bargaining unit agreement. The biggest increase is in the vehicles and then there are updates in the data management technology. Councilmember Bukkila asked for justifications and information on the school liaisons. Mr. Dickinson responded the High School liaison is at the school the whole day. The Sheriff’s contract may or may not include travel time to and from the law enforcement center. In addition to Middle School, there are safety concerns at the elementary schools as well that could benefit from intervention from the Sheriff’s Department.

It should be noted that in 2014, Local Government Aid (LGA) in the amount of \$74,655 was used to help fund the Road & Bridge Fund. That State of Minnesota funding has gone away, down to \$0.00 in 2017 and 2018. Future increases in LGA, or even the presence of LGA for the City of Andover based on the current State formula, are remote. The 2018 City of Andover Road & Bridge levy is \$1,169,014. This was a 4.74% increase over 2017. Administration is proposing a 7.34% increase (\$85,774) to \$1,254,788 for the 2019 budget. The 2018 City of Andover pedestrian trail maintenance levy was increased significantly from \$63,075 in 2017 to \$100,000 for 2018, a 58.54% increase in funding. Administration is proposing a 2% increase (\$2,000 to \$102,000) for the 2019 budget.

It was noted that a top comment by the public has been to provide more maintenance to the current trails, as opposed to spending the money on adding more trails.

Mayor Trude noted the Park & Recreation Commission commented they “have no money.” She asked where this thinking comes from. Mr. Dickinson responded the policy is that the money is in the bank before a project is started and the Park & Recreation Commission has to save to have enough for the project and they need to finish a project before another one is started. Mayor Trude stated Andover is not a poor city as far as parks are concerned. Councilmember Bukkila

stated there have been questions about the higher priced shelters that were being put up. Mr. Berkowitz confirmed the City is installing basic picnic shelters “out of the box” now.

The 2015 levy was \$61,500, but only \$15,000 was levied for 2016. \$46,500 of the previous levy was re-assigned to the General Fund to focus on parks maintenance/replacement items. In addition to the re-assigned funds, an additional \$43,500 of General Fund levy was assigned to parks repair/replacement items for a total levy of \$90,000 in 2016, and that continued for 2017. The 2018 General Fund levy assigned to parks repair/replacement items levy was increased to \$100,000, and the parks project levy remained at \$15,000. Administration/Finance has evaluated these levy items throughout the CIP process and is not proposing any adjustment to these levies for the 2019 budget.

The trail fund is “under water” as costs are exceeding expectations. Ultimately, they will be looking for a transfer request to complete an ongoing project and for a project that received 50% grant funding. The transfer recommended would be \$230,000 for the two trails.

The capital projects levy was a reassigned levy in 2017 to provide for the 2017 equipment purchases. Administration/Finance proposed a straight \$500,000 capital equipment purchases levy for the 2017 equipment purchases rather than through a debt service levy and an equipment bond. This process continued through 2018, but increased the levy by \$25,000 to \$525,000. In 2019, this levy is turned back to debt service levy for the City Campus Master Plan implementation.

There was a new \$50,000 facilities management levy proposed for 2018. A facility condition assessment study identified many maintenance repairs for City facilities such as roof repairs, HVAC, electrical panels, fire alarm systems, windows and air quality related items. This levy is anticipated to continue. Administration/Finance, after evaluating this levy throughout the CIP process, is recommending a \$5,000 increase in this levy to \$55,000 to address maintenance repairs for the 2019 budget. In addition, administration is proposing an additional \$300,000 levy to address significant deferred maintenance items that have been identified for buildings (Public Works & Community Center) being evaluated as potential expansion projects within the City Campus Master Plan. This levy could stay as a straight capital improvement levy or could be converted to a debt service levy based on market conditions at the time of the project or paired with an expansion project.

The 2019 proposed levy has reassigned the \$525,000 capital projects levy back to debt service levy for the City Campus Master Plan implementation.

PREVIEW 2019 PRELIMINARY TAX LEVY

Mr. Dickinson explained the City Council is required by state law to approve a preliminary budget and submit a preliminary levy certification to Anoka County Property Records and Taxation Division. Legislation requires the certification to take place by September 30, 2018.

The 2019 preliminary levy certification would be the outcome of the numerous budget workshops held with the Council over the summer. The preliminary 2019 Budget proposes a total property tax levy of \$13,103,487: \$8,945,970 (68.27%) operational levy, \$2,115,729 (16.15%) debt service levy, and \$2,041,788 (15.58%) capital/watershed levy. The 2019 proposed property tax levy is estimated to increase the current City tax rate by 2.76%. That rate will be applied to the City's growing tax base and will reflect a 5.53% increase in the gross tax levy. The Council has the right to reduce or keep constant this levy until the final certification date of December 28, 2018.

This is the first step in establishing the City of Andover property tax levy for 2019.

With a \$687,000 gross levy increase, the impact on the tax rate would be a 2.76% rate increase. Based on whether a home has a gain, tax rates should be pretty flat on the average home. About 1% of the increase would be based on the inclusion of new homes in the City. Mr. Dickinson stated with a more favorable rate from fiscal disparities the tax rate increase could be reduced to approximately a 1.76% increase in the tax rate. Even with the gross levy increase he thinks the City will still be in the bottom 5% of the tax rate in Anoka County. The Council's goal is to try to get the tax rate under 2% by December.

OTHER BUSINESS

Salaries

Mayor Trude addressed the Council salaries packet that was distributed regarding research around setting elected official salaries. She suggested getting Andover Mayor and Councilmembers salaries closer to the amount paid to Coon Rapids and Blaine City Councilmembers.

Councilmember Holthus noted some cities have wards and at-large councilmembers in those cities get paid more.

Mayor Trude suggested a \$2,000 or \$2,500 increase/year. Mr. Dickinson indicated any change in salaries has to be an ordinance amendment. It was noted some cities pay health insurance and/or salary. Mr. Dickinson stated it would be brought forward as an ordinance the first meeting of October, in advance of the elections. Councilmembers Bukkila and Goodrich are not in support of the salary increase.

Councilmember Holthus left it up to the Mayor to bring it forward. Historically, the last vote on Mayor and Councilmember salaries dates back to 2002 to raise the amount, that was over 15 years ago.

Mayor Trude suggested \$2,000 or \$2,500. It will be a regular discussion item at a future Council meeting. With the increase it would amount to \$10,000/year for Councilmembers with the Mayor at \$12,000/year. If approved, it would become in effect in January of 2019.

ADJOURNMENT

Motion by Goodrich, Seconded by Holthus, to adjourn. Motion carried unanimously. The meeting adjourned at 8:58 p.m.

Respectfully submitted,

Marlene White, Recording Secretary