

***ANDOVER CITY COUNCIL WORKSHOP MEETING – SEPTEMBER 15, 2020
MINUTES***

The Workshop Meeting of the Andover City Council was called to order by Mayor Julie Trude, September 15, 2020 at 6:00 p.m., at the Andover Public Works Building, 1900 Veterans Memorial Drive, Andover, Minnesota.

Councilmembers present: Sheri Bukkila, Valerie Holthus, and Ted Butler

Councilmember absent: Jamie Barthel

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

DISCUSS 2021 BUDGET DEVELOPMENT

Mr. Dickinson stated the goal is to reach a conclusion on a preliminary tax levy. He stated the City is looking at utilizing budget reserves to balance the 2021 Budget. Mr. Dickinson explained staff have prepared four options for the Council to consider based on past discussion.

Mr. Dickinson reviewed the Council's budget guidelines adopted in April of 2020 and provided an update as presented in the staff report. Mr. Dickinson explained that COVID-19 has had an impact on the budget and on the community and much of what the City is responding to is based on COVID-19.

Mr. Dickinson reviewed the staffing requests for 2020 and 2021. He explained the City is delaying the hire of an Assistant Community Center Manager until 2021. Mr. Dickinson stated Administration is recommending the addition of a GIS position and filling it in June of 2021. He explained the role is currently being filled by a contractor and the impact to the budget will be around \$10,000.

Mayor Trude said that GIS is something the City has never brought inhouse. She said if you bring someone on board, you want more than a one or two-year timeline because they will be integrated into the staff. Mr. Dickinson replied the City is currently contracting with a vendor and receives 20 hours per week in services supplemented with existing city staff. He explained the City is currently experiencing a significant lagging of data and has a cumbersome process. He stated the City is trying to get it solo-sourced and integrate other data such as water and utility data. He stated the GIS position would be responsible for all mapping including development, utilities, streets, parks, and special requests with the primary being utility system. Mayor Trude questioned about hiring mid-year instead of earlier to assist in the large development projects. Mr. Dickinson replied the City is currently using the best data it has today and the position will come in to keep the

information current. Mayor Trude stated the developers are paying for this position through their fees. Mr. Dickinson said the Administrative Department selected the June timeline due to workload and the Engineering Department preparing for spring projects now. He said staff will have the time to onboard a new position in June.

Councilmember Butler asked if there is a long-term need for this position. Mr. Dickinson stated there are fewer contractors available for GIS services because it is becoming a smaller part of their business. He explained companies are selling software more than services and the ability to contract will probably get more limited. He said he would like to see a higher level of service and bringing it inhouse would allow greater response. Councilmember Butler asked Mr. Dickinson if he felt reasonably confident this is a long-term position. Mr. Dickinson replied he would not propose a new position if he did not feel it was sustainable. He stated the GIS position has been requested for the past several years.

Mr. Dickinson reviewed expanding a part-time position with the Fire Department to full-time. He stated fire calls have increased and there is a need for more day-time responders. Mr. Dickinson stated discussions about additional positions within the Fire Department are ongoing.

Mr. Dickinson explained salary increases and health care and the impacts they have to the budget. Mr. Dickinson reviewed the contractual services of the City Attorney, Sheriff's Department, and recycling. Mr. Dickinson briefly discussed memberships, capital projects, parks, equipment, and facility maintenance. Mr. Dickinson stated the Fiscal Disparity Contribution and Distribution are final numbers.

Mr. Dickinson spoke about managing the Fund Balance and presented 4 options for Council to consider. He stated the difference in the options is based on the amount of the Fund Balance transferred to the 2021 Budget in order for the Council to set a tax levy they are comfortable with.

PREVIEW 2021 PROPOSED PROPERTY TAX LEVY

Mr. Dickinson explained that Council will be setting the maximum property tax levy. He stated Council can lower, but not raise, the levy through the last meeting of December. Mr. Dickinson presented four options for Council. He stated Option 1 is the original proposal presented by staff with a 4.37% increase in the gross tax levy. He explained Option 2 proposes a constant tax rate; Option 3 reduces the staff proposal by \$100,000; and Option 4 proposes a 2% gross tax levy increase.

Mayor Trude asked Mr. Dickinson to explain capturing the growth. Mr. Dickinson stated all the options take growth into account. Mr. Dickinson stated that staff have been seeking developers to build within the City. He explained the lot supply will be healthy for the next three to five years.

Councilmember Holthus asked if the City used the greater amount of fund balance, what is the City giving up or doing without. Mr. Dickinson stated the Council has set the goal of keeping the Fund Balance at 50% and going no lower than 45%. He stated if the Council does not want to reduce

services, then it needs to use the Fund Balance. He stated the City is using a deficit budget and will have to make up the difference with the Fund Balance. He stated the City is positioned quite well and able to go through uncertainty and come out a financially healthy community. He stated if there is another shutdown, it may be difficult to maintain the same level.

Councilmember Holthus asked about the debt for the Community Center and if improvements will be affected in any of the options. Mr. Dickinson stated the City has levied for the debt and will pay it. He explained the flexibility is with operating expenses. Councilmember Holthus stated she does not want to lengthen the debt of the Community Center. Mr. Dickinson responded the debt payments are locked in unless there is a refinancing opportunity that will make things better and allow the City to save money.

Councilmember Holthus asked if the cost of living adjustments have been decided. Mr. Dickinson said he put a placeholder in for salary adjustments and the Council can make adjustments which will affect the transfer from the Fund Balance. Councilmember Holthus asked what the inflation rate was. Councilmember Butler stated through July 2020, the inflation rate was -.03%.

Councilmember Butler asked if the growth rate for Andover was still at 1.1%. Mr. Dickinson stated 1.1% is correct and new growth helped Andover. Councilmember Butler stated the 1.1% increase in growth considered a decrease in the industrial properties. Mr. Dickinson stated the valuation of existing commercial property went down. Councilmember Butler stated it is important to realize the value new growth brings to the City and adjusting based on that. He stated his concern is keeping from having a significant increase on existing property owners. Councilmember Butler stated he supports Option 4 but does not want to put the City in a poor position and negatively impact the fiscal disparity computation. Mr. Dickinson stated the City will feel a fiscal disparity impact next year.

Mayor Trude stated fiscal disparities offsets budget impacts by 15%.

Councilmember Bukkila asked what the difference in percentage is for residential versus commercial properties. Mr. Dickinson replied commercial is about 5-7%, utilities are 5%, resulting in the City being 88-90% residential supported. Councilmember Bukkila stated there are years when commercial takes a hit and years when residential takes a hit. She said when commercial is valued less, it helps that they take on less of the tax burden. Mr. Dickinson replied that residential takes on more of the burden when commercial does not do well.

Councilmember Bukkila asked which option allows for potential road improvement transfer. Mr. Dickinson replied Option 1, Option 2 and Option 3.

Councilmember Butler stated the City already allowed for a large transfer to road projects and he is also open to Option 2.

Mayor Trude stated the City has done a good job allocating funds to road improvements and asked if this was a good time to ask residents to give up more money for roads. Mayor Trude stated the

City is doing a good job by keeping the tax rate flat and maintaining services.

Councilmember Bukkila stated this is a preliminary number that tells people it will not go higher than the number Council sets. She said it can improve as the year proceeds and the State opens up and schools open. Councilmember Bukkila stated there is potential for items to drop off the budget but does not want to tie the Council's hands with a low number. Mr. Dickinson identified items that can fall off the budget and the possibility that growth will contribute to increased revenue.

Councilmember Bukkila stated the Council is looking at less than a 1% change and a difference of \$8 with Option 1. She stated she is supportive of Option 1 at this time with the expectation the City can get closer to Options 2 or 3 with the end of the year economics. Councilmember Bukkila stated she feels there is an expectation in the community that taxes are not going down.

Councilmember Holthus stated she supports Option 3 and that a 15% increase in health care costs is actually very good in the current market.

Councilmember Butler said he has some reservations about what is in the budget and would like to see the City invest in employee health care rather than cost of living increases. He said he is open to Option 2 and does not want to burden residents with an increase.

Mayor Trude summarized one Councilmember supports Option 1; two support Option 2; and one supports Option 3. Councilmember Bukkila stated she can move to Option 3. She stated it is not a drop-dead number. Mayor Trude stated this number is what will be printed on property tax statements. Councilmember Bukkila stated Option 3 is a \$5 increase. She stated Option 3 is reasonable with room for improvement and provides for a safety net.

Mayor Trude stated Option 2 maintains a 50% fund balance and there is still time for growth. She stated she feels like the City is doing fine. Mayor Trude asked Mr. Dickinson if all the options were manageable from a staff perspective. Mr. Dickinson stated Option 1, 2, or 3 can be done, it's just one may take a little longer than the other. Mayor Trude asked if the Council can meet between Option 2 and 3. She stated she believes growth will fill in the gaps and she is more concerned about people paying their bills and says a flat rate is justified.

Councilmember Bukkila stated the final number will come in December.

Councilmember Butler stated the City is not in the position where the City has to increase the tax levy tonight and that it is possible to keep it flat. He said he likes keeping the rate the same knowing the City can do better by December.

Councilmember Holthus stated she is worried that health care coverage will be higher than proposed. Mr. Dickinson stated each 5% is about \$28,000.

Mayor Trude stated the Option 2 proposal includes the GIS position, adding staff in the Fire Department, 15% increase in health care, no increase in law enforcement, and assumes the City is

capturing growth. Mr. Dickinson replied that Mayor Trude is correct and it applies to Options 1, 2, and 3. Mr. Dickinson stated there is a \$65,000 difference between Options 1 and 3.

Mayor Trude stated she cannot justify raising people's tax rate given that the budget includes all those things and the City has transferred \$1 million to roads.

Councilmember Bukkila stated Option 3 is a proposal, not a done deal, and allows flexibility.

Mayor Trude stated she does not see this being resolved. Mr. Dickinson replied he will be presenting the item at the regular meeting following the workshop.

OTHER BUSINESS

None.

ADJOURNMENT

Motion by Butler, Seconded by Bukkila, to adjourn. Motion carried unanimously. The meeting adjourned at 7:07 p.m.

Respectfully submitted,

Shari Kunza, Recording Secretary
TimeSaver Off Site Secretarial, Inc.