

CITY OF NEW HOPE  
4401 XYLON AVENUE NORTH  
NEW HOPE, MINNESOTA 55428

City Council Minutes  
Special Meeting

November 29, 2010  
City Hall

**CALL TO ORDER**

The New Hope City Council met in special session pursuant to due call and notice thereof; Mayor Hemken called the meeting to order at 7:00 p.m. in the Council Chambers.

**ROLL CALL**

Council Present: Kathi Hemken, Mayor  
John Elder, Council Member (arrived at 7:03 p.m.)  
Andy Hoffe, Council Member  
Eric Lammle, Council Member  
Daniel Stauner, Council Member

Staff Present: Kirk McDonald, City Manager  
Shari French, Director of Parks and Recreation  
Curtis Jacobsen, Director of Community Development  
Guy Johnson, Director of Public Works  
Rich Johnson, Human Resources Manager  
Valerie Leone, City Clerk  
Gary Link, Director of Police

**2011 PROPOSED  
BUDGET  
Item 11.1**

Mayor Hemken introduced for discussion, Item 11.1, public hearing on the proposed 2011 budget.

Mr. Kirk McDonald, city manager, introduced himself and Steve McDonald of Abdo, Eick, & Meyers LLC (AEM). He stated he will provide a brief update regarding the budget process, and Steve McDonald will present the budget powerpoint presentation. He stated the management team is also in attendance and are prepared to respond to questions regarding departmental operations. Mr. Kirk McDonald stated public comment will be accepted following the presentation, and formal action on the budget and tax levy will take place on December 13, 2010.

Mr. Kirk McDonald explained the City Council adopted the preliminary (maximum) tax levy on September 13 with an increase over the 2010 tax levy of \$260,711 or 2.87%. He noted the 2.87% is the amount shown on property tax statements. Mr. Kirk McDonald stated at Council's direction, staff eliminated the Local Government Aid of \$643,705 which was included in the preliminary budget as a revenue source with adjustments of \$649,270 (reduced expenditures and increased revenues including building permit fees). He also explained that AEM was asked to examine options to further reduce the tax levy and proposed an adjustment of \$94,498 to reduce the levy from \$260,711 (2.87%) to \$166,213 (1.83%). Mr. Kirk McDonald reported the bond sale at the end of October resulted in favorable financing rates and factoring this along with the use of reserves the tax levy increase could be

reduced from 1.83% to 1.5%. He explained the 1.5% tax levy option was presented to the City Council at the November 15 work session at which time staff was directed to also prepare a 0% levy increase option which can be accomplished by the use of \$136,019 of reserves from the Public Safety Building Bond fund.

Mr. Kirk McDonald pointed out the 2011 proposed budget includes a contingency for a 1% salary adjustment for employees for 2011. He stated even with the funds included in the budget, approval of the budget does not automatically implement a wage increase. He stated staff would seek Council discussion and adoption of a resolution "authorizing the city manager to implement a wage adjustment". He recommended the contingency remain in the budget in the event the Council decides to grant a compensation adjustment.

Mr. Kirk McDonald recommended a decision regarding the final tax levy rate be made after the presentation and public comment to allow staff to prepare the final budget for the December 13 Council Meeting. He also recommended a discussion be held before year end regarding employee compensation.

Mr. Steve McDonald, Abdo, Eick, & Meyers LLC, was recognized. Mr. Steve McDonald outlined components of the budget presentation and commented on the modifications made since adoption of the preliminary budget on September 13, 2010. He stated the key points of the 2011 budget initiatives include:

- Continuing to improve the new budget process
- Holding the line on spending while providing existing services with reduced resources
- Actively pursuing all funding opportunities
- Keeping property taxes as low as possible
- Focusing on high priorities (police and fire operations, emergency management preparedness, and property maintenance and redevelopment investments).
- Continuing with infrastructure and environmental improvements (2011 infrastructure project)
- Maintaining parks and recreation facilities and programs
- Continuing the Emerald Ash Borer program on public property (second year)
- Considering a wage increase for employees

Mr. Steve McDonald illustrated the 2011 tax supported budget with a zero percent tax levy increase:

General Fund	\$7,085,735
Street Infrastructure Fund	1,182,500
Park Infrastructure Fund	296,000
Bassett Creek Watershed	23,440
Shingle Creek Watershed	28,080
Economic Development Authority	85,000
Special levy (MVHC/LGA unallotment)	199,851
Debt service (G.O. taxable bonds of 1996)	38,005

Debt service (2010 fire truck certificates)	<u>154,100</u>
Total tax supported budgets	\$9,092,711

Mr. Steve McDonald reviewed contact information regarding property tax relief programs.

Next, Mr. Steve McDonald illustrated the adjustments made to the preliminary budget to address the likelihood that the city will not receive its 2011 LGA allotment. He stated any LGA funds received will be a surplus to the General Fund Budget:

Revenue:	Building permit adjustments	\$203,813
	Transfers	70,000
Expenditures:	Central Garage charge reductions	206,000
	Line item reductions	46,304
	Personnel expense reductions	<u>117,588</u>
	Total	\$643,705

Mr. Steve McDonald reviewed the city's tax rate for the past seven years and stated the estimated rate for 2011 is 49.205 or a change of 3.46% which is driven by property market values in the city. He reported on the decline in property values (3.36% for commercial properties, 1.88% for industrial properties, 9.22% for residential properties). He stated overall the city experienced a 6.79% decrease in values for all properties.

Mr. Steve McDonald compared the city's general fund revenues and expenditures proposed for 2011 to the 2010 adopted budget. He stated even through the use of \$88,796 in reserves, the city would have a fund balance reserve level of approximately 41% which is within the guidelines recommended by the state auditor, city auditor, and GFOA. Mr. McDonald stated last year's preliminary tax levy increase was 7.75% and the final was 3.69%. He stated the 2011 preliminary tax increase was 2.87% and the final could be 1.5% or zero percent. He explained the 1.5% levy increase is \$136,019. He explained the major impact within the 2011 budget is due to eliminating the LGA revenue source and the \$154,000 of fire truck certificate levy. He explained that the Public Safety Bond reserves fund balance will be approximately \$1.5 million as of December 31, 2010. He recommended utilizing \$136,019 in reserves from this fund if the Council wishes to reduce the proposed 1.5% tax levy to zero.

Mr. Steve McDonald informed the Council and audience that the budget will be presented to the Council for adoption at its meeting of December 13, 2010, and subsequent to adoption of the budget and tax levy, the tax levy will be certified to the state auditor as required by state law. He stated the budget document will be available at city hall and posted on the website.

Mayor Hemken opened the public hearing for comments from the Council and audience.

Council Member Lammle inquired whether there are contingencies for Market Value Homestead Credit. Mr. Steve McDonald stated the city's

exposure for MVHC is approximately \$300,000 and a mid-year budget adjustment has been the past method used to address revenue shortfalls.

Council Member Hoffe pointed out the \$154,000 is an annual obligation for payment of the new fire trucks.

There were no comments from the audience.

## MOTION

Motion was made by Council Member Elder, seconded by Council Member Stauner, **to close the public hearing**. All present voted in favor. Motion carried.

Mayor Hemken asked the Council to comment regarding their preferences for either a 1.5% levy increase or a zero increase.

Council Member Stauner commented that he does not foresee the economic situation improving in the near future and supports a zero increase. He also spoke against a wage increase for city staff. He expressed disappointment with the recommendation of using reserves instead of budget reductions. He also expressed disappointment with the low turnout of taxpayers at the budget hearing.

Council Member Hoffe supported the 1.5% tax levy increase to avoid using additional reserves. He stated a 1.5% tax levy is reasonable compared to previous years. He commented on unforeseen expenses that could arise in the future that require use of reserve funds.

Council Member Lammle agreed with many comments made by Council Member Stauner and expressed support for a zero percent tax levy increase as the city has sufficient reserve balances. He supported moving the wage contingency forward but postponing wage decisions until the compensation study is completed. He noted cities compete for the employee pool.

Council Member Elder also requested the compensation study results prior to taking action on wage adjustments.

The Council concurred that next year's economic situation could worsen.

Council Member Stauner asked Steve McDonald to clarify the use of reserves will not impact the General Fund reserve. Mr. Steve McDonald stated the \$136,000 to reduce the 1.5% to zero is within the Public Safety Bond reserves fund and would not reduce General Fund reserves. He stated there is \$89,000 of General Fund reserves proposed for the 2011 budget, and the combined total would be \$225,000.

Mayor Hemken commented that she believes a 1.5% tax levy increase is minimal to maintain essential services/employees. She supported keeping the wage contingency in the budget for discussion at a later date. She noted reserves are city funds regardless of the fund title. Mayor Hemken stated the sample tax statements in the agenda packet were based on a tax levy increase

of 2.87% and revealed a reduction in the city tax portion. She spoke of the need to maintain the health of the city and its bond rating. She commented that staff has already cut expenditures in many areas.

City Manager McDonald asked for a consensus on the levy amount to enable staff to prepare a resolution for December 13, 2010. Mayor Hemken surveyed the Council and the majority supported a 1.5% tax levy increase. Staff was directed to retain the wage contingency in the 2011 budget but postpone any decisions on wage increases until conclusion of the compensation study.

Council Member Hoffe thanked staff for the budget work performed to date.

Council Member Elder inquired regarding the means to implement wage increases if the compensation study shows New Hope's salary schedule is lower than comparable cities. He spoke of the value of experienced employees and the high cost to train new employees.

City Manager McDonald explained that employees were informed by Springsted, the vendor performing the compensation study, that funds have not been set aside in the 2011 budget for wage adjustments. He stated an action plan may need to be considered for implementation beginning with the 2012 budget.

#### ADJOURNMENT

As there was no further business to come before the Council, the New Hope City Council adjourned at 7:40 p.m.

Respectfully submitted,



Valerie Leone  
City Clerk