

**CITY OF SHOREVIEW
MINUTES
CITY COUNCIL SPECIAL WORKSHOP MEETING
November 10, 2014**

CALL TO ORDER

Mayor Martin called the workshop meeting of the Shoreview City Council to order at 7:00 p.m. on November 10, 2014.

ROLL CALL

The following attended the meeting:

City Council: Mayor Martin; Councilmembers Johnson, Quigley, and Wickstrom

Councilmember Withhart was absent.

Staff: Terry Schwerm, City Manager
Rebecca Olson, Assistant to City Manager
Fred Espe, Finance Director
Mark Maloney, Public Works Director
Deborah Maloney, Assistant Finance Director

Mn/DOT Mark Lindeberg

REVIEW OF I-694 CORRIDOR IMPROVEMENTS

Public Works Director Mark Maloney indicated that the City was notified by Mn/DOT that the portion of I-694 through Shoreview was scheduled for shoulder improvements as part of the Corridors of Commerce program. The City had hoped for a more aggressive project to address the bottleneck of traffic. Recently, the Corridor of Commerce notified the City that this portion of I-694 would be reconstructed with a third general purpose lane, rather than a “dynamite shoulder lane”.

Mr. Lindeberg stated that the Corridor of Commerce has set aside \$42 million for the improved shoulder to reduce congestion during peak traffic times. In discussing the design with Federal Highway, it became clear that the road would have to be reconstructed. Federal Highway then urged that a new third lane be added rather than an improved shoulder. The current road bed will be removed and six new lanes will be built through this corridor. It will tie in with the road widths at the east and west ends. Three ramps will be rebuilt--Lexington, Victoria, and Rice Street. At the Rice Street ramp, a mill and overlay will be used because the County is planning to redesign this intersection.

Mr. Lindeberg showed a design plan for the improved I-694 corridor through Shoreview and described how the third lane will fit the current road. There will be three 12-foot lanes, a 10-foot outside shoulder and a 6-foot inside shoulder. There may be a noise wall if certain warrants are met. HDR is under contract to conduct traffic modeling for air and noise. That analysis is near completion. The noise wall is required to meet federal standards. Noise level is determined and fed into a model to forecast volumes and determine how much noise reduction is possible with a noise wall. As long as the noise wall meets cost effectiveness, it is voted on by residents who would benefit. If voted in, it is constructed.

Mayor Martin asked if the noise wall would be extended from the existing one or if it would be rebuilt and whether residents on Tiffany Lane, who have sought noise reduction, will be protected. Mr. Lindeberg stated that it is unknown whether a new noise wall would be constructed until the final analysis is completed. He pointed out that the area around Soo Street is tight. He does not know if there will be enough space for a noise wall and snow storage. Mr. Maloney added that the residents on Tiffany Lane would notice a dramatic improvement. He noted that Soo Street does not run parallel to the freeway so a noise wall would mean some reconstruction of Soo Street. Mr. Lindeberg stated that the cost effectiveness of the wall will be impacted by any need to reconstruct Soo Street.

Councilmember Johnson asked the parameters of residents able to vote on putting in a noise wall. Mr. Lindeberg stated that he does not know specifically, but it would involve more people than just the first row of homes next to the wall.

City Manager Schwerm stated that concrete can be louder than bituminous and asked if that is factored in. Mr. Lindeberg explained that the noise while driving on concrete is noticeably louder, but according to analysts, the noise to residents is not very different, but it is different in pitch.

Mr. Lindeberg continued describing the proposed design. When the third lane reaches Victoria, there will be an auxiliary lane from the ramp west to give traffic a long entry to build speed. It will also create a long passage for weaving of traffic on I-694 to get off at Lexington and entering traffic from Victoria.

Mayor Martin stated that residents in the Island Lake area have also complained about the freeway noise. She asked if there is any way a noise barrier could be built in that area. Mr. Lindeberg stated that a noise wall at Island Lake would not be cost effective because the noise will go over the wall, hit the water and still impact the neighborhood. Analysts say that a noise barrier is not effective for property beyond 500 feet from the wall. Building a wall there would also impact the lake.

Councilmember Wickstrom asked if the ramp signal systems would be impacted. Mr. Lindeberg answered, no. Coming east from Highway 10 there will be an auxiliary lane from Lexington to Victoria.

Councilmember Wickstrom asked if there will be ramp meters added to entrance ramps. Mr. Lindeberg stated that will be decided in the final design. There are no meters now and he

expects that to stay the same. The only right-of-way needed will be for the storm water pond areas--land from Ramsey County and from Naegele. Mn/DOT will work to be sure there is no net loss for the right-of-way. Municipal consent is needed for the project because of the capacity of traffic and need for right-of-way. A tentative schedule is to let the project in November 2015 with construction beginning in 2016. The new road will be at a different grade. The plan is to begin at the center and build out, which is a method that possibly could result in completion within one construction season. There will be a period of time with only single-lane traffic.

Mr. Schwerm stated that the City Council is required to hold a public hearing. It is scheduled for December 15, 2014. He suggested holding an informational meeting prior to the public hearing to describe the project and answer questions. Staff will schedule an informational meeting early in December.

DISCUSSION OF PROPOSED 2015 OPERATING BUDGET AND TAX LEVY

Presentation by City Manager Terry Schwerm

The staff's recommendation, as discussed with the Council in August, is a 3.5% increase in the tax levy for 2015 from 2014. Other key elements of the proposed levy include: 1) the increase in taxable values of approximately 11% from 2014 to 2015; 2) an estimated drop in the City tax rate of approximately 7.11%; 3) a drop in the HRA tax rate of 6%; and 4) an increase in fiscal disparities of less than 3%. After factoring all of these changes, net property taxes increase by approximately 4%.

Councilmember Wickstrom stated that because business property values have decreased and residential property values have increased, tax statements will reflect another shift of more taxes paid from residential property. Mr. Schwerm stated that information is incorporated into the numbers shown in the City Council's report.

Councilmember Johnson asked for clarification of the change in MSA funding. Mr. Schwerm explained that previously the City used a ratio of 20% maintenance and 80% road construction from MSA road funding. MSA has now ruled that 25% must be used for maintenance. Mr. Maloney explained that the percentage used for maintenance or construction is now mandated.

Mr. Schwerm explained that the changes in the budget show \$110,000 in additional revenue. General Fund expenditures show a savings of the Parks and Recreation Director salary and benefits of \$28,000. Money for additional finance accounting assistance has been taken out. A 2% cost of living increase and planned step increases are recommended. The two big expense areas are the police and fire contracts. The cost of living for police is 3% plus new equipment that is being purchased. The fire contract is increased to fully implement the duty crew in July. Cost of a fully implemented duty crew will be seen in both 2015 and 2016. The General Fund change is an increase of approximately \$334,000. With the deduction of \$110,000 in revenue increases, the total change to the General Fund is an increase of approximately 2.26%. The 3.5% levy increase also includes the changes to capital funds--the General Fixed Asset Revolving Fund, the street renewal levy, EDA levy and debt service. The increase from those funds is approximately \$125,000, which raises the total levy increase to 3.52%.

Since adoption of the preliminary levy, it was anticipated that health insurance would increase by 11%. However, health insurance only increased by approximately 2%. Dental insurance did not increase. This means that City staff's recommended insurance contribution has changed from an increase of \$80 a month to \$20 a month. The insurance savings in the General Fund is approximately \$33,000 plus some other employee changes results in a total savings of approximately \$46,000. Staff has prepared three options for the Council to consider regarding these unexpected savings:

1. Restore the reduced capital levies totaling \$35,000 to the Street Renewal Fund and the Fixed Asset Revolving Fund. Then there would be a savings of \$10,000 to the levy, which would reduce the increase to 3.42%.
2. The 2% COLA is fairly standard. One thing that could be done is increase COLA to 2.5% mid-year, which would cost approximately \$8,000. That would not change the current recommended tax levy.
3. Reduce the tax levy by \$46,000, which would reduce the increase to 3.08%.

Councilmember Quigley stated that Option No. 2 resonates with him because the City operates under a high bar of performance.

Mayor Martin clarified that Option No. 2 also allows replacement of the capital funds specified in Option No. 1.

Councilmember Wickstrom stated that Option No. 3 sounds good, but if the money has to be replaced in the future, that is not a good choice. She would support Option No. 2. Although it is not a lot of money, it does symbolize appreciation for staff and the kind of work they do.

Councilmember Johnson stated that she also would praise staff. However she leans toward favoring Option No. 3 because of the perception and what it says to residents.

Mayor Martin agreed but noted the savings is approximately \$4.00 a year per resident. The capital funds will have to be replaced. She referred Councilmembers to the booklet on benchmarks, which shows how well Shoreview operates in comparison to other cities.

Councilmember Wickstrom added that postponing replacement of capital funds does not amount to a savings for residents.

Finance Director Espe reviewed tax increase for various home values in the City.

Mayor Martin suggested that it would be unlikely that a home value would increase 25% without significant improvements. Mr. Espe stated that in Shoreview, 25% of homes increased in value by 10% to 15%; 18% of homes increased by 15% to 20%; and 10% of homes increased by more than 20%. He referred the Council to a list of various home values and the taxes for each. City taxes range from a decrease of \$19 to an increase of \$266.70. Mr. Schwerm added that the City portion of the total tax bill is approximately 23%.

Mayor Martin stated that it is hard to understand that taxes are going down for the highest valued homes. Mr. Espe agreed but stated it is because the tax rate went down and explained that the reason is because of how property values change in relation to other property values in the City. Mr. Schwerm noted that it is unknown that the change in value is with higher or lower priced homes.

Councilmember Johnson stated that the relationship of one property tax value to others in the City as a reason for tax increases will be very difficult to explain to residents. Mr. Schwerm stated that this information will be explained in the budget summary booklet that is available at the budget hearing and posted on the website.

Councilmember Quigley asked for clarification on the meaning of fund equity. Mr. Espe explained that it is the accumulation of revenues and expenses. When revenues exceed expenditures in a given year, there is an addition or carry over to fund equity. Mr. Schwerm stated that fund equity represents the fund balance and funds that are invested. It is different with enterprise funds that use standard accounting and show depreciation. Mr. Espe added that fund equity of the General Fund is very important because the City does not receive its tax revenue until June or July. There must be a sufficient balance to operate for six months.

Councilmember Johnson noted that there are reductions in expenses in the Economic Development Authority (EDA), and she commended the work being done by staff.

Benchmarks

Mr. Schwerm noted that Shoreview continues to rank in the lower 25% of city taxes on a median valued home. The Shoreview median value used is \$224,000. City taxes on a \$224,000 home in Brooklyn Center would be \$1538; in Maplewood, city taxes would be \$1048. Shoreview is at \$779, 19% below the average of \$963 in city taxes on a \$224,000 home.

Mayor Martin noted that Shoreview receives no Local Government Aid (LGA), which is provided to many cities.

Councilmember Wickstrom added that cities that receive LGA still have higher taxes than Shoreview.

Mr. Schwerm reported that according to state auditor data, Shoreview expenditures per capita is 26% below the average of other cities, even though Shoreview spends almost double what other cities spend on parks and recreation because of the Community Center. It is important to remember that the Community Center and recreation programs are supported by user fees, not taxes. Without these very high recreation expenses, Shoreview's average expenditures would be even lower.

Revenues per capita show that Shoreview is high in charges for services because of user fees--charges for memberships to the Community Center and charges for recreation programs. Also, the street light utility is a user fee. Even with these fees, Shoreview ranks almost 17% below the average in property taxes for this type of spending.

Shoreview is almost 90% below the average for special assessments because of the City's assessment policy. The tax levy is a little higher because tax dollars are being put away to replace assets. The average special assessment among cities is \$52; Shoreview is at \$7.00.

Mayor Martin stated that Shoreview residents are getting a good deal long-term with savings from assessments. This is a benefit that is not touted enough.

Mr. Espe noted that Shoreview is 57% below average on the expenditure of debt payments. That was a criticism at the tax hearing last year. Mr. Schwerm stated that other cities average \$160 per capita on debt; Shoreview is at less than \$70.

Councilmember Johnson added that there are many items in the Benchmark Booklet that are very favorable to Shoreview and could be told in many venues, including social media.

Mayor Martin stated Option No. 2 will be used to present the budget at the truth in taxation hearing on December 1, 2014. Final adoption of the budget will be December 15, 2014.

OTHER ISSUES

Applications for Planning Commission

Mayor Martin stated that the Council will interview the four candidates that have applied. It was the consensus of the Council to interview candidates beginning at 6:00 p.m. immediately prior to the Council workshop on December 8, 2014.

Photo Contest

Councilmember Quigley stated that he preferred the photos be of residents because of the quality of life issues theme, which is tied to resident issues. He has no objection to opening entries to businesses and employees in Shoreview.

Councilmember Johnson asked how the award figures were arrived at. Ms. Olson responded that what is presented is what other cities have done. Mr. Schwerm stated that two contests are being considered--one for winter/spring and one for summer/fall. The award would be substantial enough to attract good photographs. Councilmember Johnson noted that once an award is set high, it is not possible to reduce it in the future.

Councilmember Wickstrom stated that the agreement to participate in the contest and submit photos indicates they would be retained as City property, but there is no reference to publication except in the introduction. Publication should also be included in the rules of the contest.

Mayor Martin suggested promoting the Photo Contest at the upcoming Volunteer Dinner.

Pedestrian Crossing on Lexington to Turtle Lake School

Councilmember Wickstrom requested a full discussion by the Council at a workshop regarding safe crossing for children on Lexington Avenue to get to Turtle Lake School. Mr. Maloney noted that Lexington is a county highway, and it would be best to have someone from the county at that workshop. One of the problems is the meaning of language on the signs, “when children are present” that is interpreted differently.

Mayor Martin asked what response could be expected from the county. Mr. Maloney estimated that without other political pressure, the county would suggest the City build an overpass or underpass at City expense. Mr. Schwerm stated that the only thing that would increase safety would be an overpass, underpass or traffic signal. To put in a new traffic signal would cost in the range of \$300,000. He does not believe that flashing lights or different signage will make a difference in safety. The worst crossing times are morning and afternoon peaks. At other times there are breaks in traffic.

Mayor Martin shared Councilmember Wickstrom’s concern but noted that on Highways 61 and 96 where teenagers were crossing to get to the high school campus, a signal was not installed to prevent crossing at that dangerous intersection. Instead, a fence was put in to prevent pedestrian crossing. Not every situation can be made safe. Good judgment is needed and parents need to raise their children to have good judgment. She is not convinced there is an option for the City to solve this problem. Mr. Maloney stated that the county would like to see crosswalks on Lexington taken out where there are no traffic signals. He noted the signal at Chippewa Middle School was not put in until Highway 49 was improved.

Staff will further discuss this issue with County officials to see what further information could be presented to the Council for consideration.

North Suburban Communications Commission (NSCC Meeting)

Councilmember Wickstrom stated that CenturyLink is looking at offering a cable franchise and plans to meet with NSCC in December. If the City drops out of NSCC, a separate conversation is needed with Shoreview and CenturyLink.

At the NSCC December 4th workshop meeting, a new survey will be discussed. There will also be discussion about changes needed in the Joint Powers Agreement. There was a long discussion on the budget and equipment needed. Equipment is to be paid for by PEG fees, but it was left in the NSCC budget. There will be additional consultant work regarding the franchise agreement.

Northeast Youth and Family Services

Councilmember Johnson stated that NYFS is looking for applicants for Service to Youth Awards. The deadline for application is December 12, 2014.

The meeting adjourned at 9:06 p.m.