

**CITY OF SHOREVIEW  
MINUTES  
REGULAR CITY COUNCIL MEETING  
December 1, 2014**

**CALL TO ORDER**

Mayor Martin called the regular meeting of the Shoreview City Council to order at 7:00 p.m. on December 1, 2014.

**PLEDGE OF ALLEGIANCE**

The meeting opened with the Pledge of Allegiance.

**ROLL CALL**

The following members were present: Mayor Martin; Councilmembers Johnson, Quigley, Wickstrom and Withhart.

**APPROVAL OF AGENDA**

City Manager Terry Schwerm stated that at the request of the applicant and the City Attorney, item No. 15 is being deleted from the Consent Agenda and will be considered at a later Council meeting.

MOTION: by Councilmember Quigley, seconded by Councilmember Johnson to approve the December 1, 2014 agenda as amended.

VOTE: Ayes - 5 Nays - 0

**PROCLAMATIONS AND RECOGNITIONS**

There were none.

**CITIZEN COMMENTS**

There were none.

**COUNCIL COMMENTS**

**Councilmember Johnson:**

Northeast Youth and Family Services is seeking nominations for the five categories for Service Youth Awards: law enforcement, volunteer, educators, elected officials and youth. Applications will be received until December 12, 2014.

Thursday, December 4, 2014, the Shoreview Community Foundation will host its annual fundraiser event. It will begin with a social hour at 5:30 p.m. and dinner at 6:30. The theme is *A Stroll through Shoreview's Cultural, Colorful History*. More information is available on the Community Foundation website and also on the City's website.

**Councilmember Wickstrom:**

A reminder of the Holiday Concert by the Shoreview Northern Lights Variety Band on Saturday, December 13, 2014, at Benson Great Hall on the campus of Bethel University. Tickets are on sale at City Hall. Tickets can be purchased at a discount if purchased in advance. Carriage rides from the parking lot begin at 6:15 p.m.

**Mayor Martin:**

The City has worked hard to have Mn/DOT schedule improvements to the portion of I-694 that goes through Shoreview to address bottleneck traffic. Recently, the City was notified of funding through the Corridors of Commerce Program, a state funding program, for improvements on I-694 from I-35E to Lexington Avenue. Improvements include a lane to be added in both directions. On Thursday, December 4, 2014, in the Council Chambers Mn/DOT will present plans for construction. Sound barriers will be discussed. It will be an open forum from 4:30 to 6:30 p.m.

On Tuesday, December 9, 2014, Ramsey County and the City of Arden Hills will host an Open House to review transportation for the TCAAP property in Arden Hills. The event is from 4:00 to 6:00 p.m. at the Ramsey County Public Works building.

Mayor Martin announced the passing of Tom Wegleitner this past week. He was a well loved teacher, hockey coach, and neighbor. He served on the City Council for over 10 years. He will be well remembered.

**CONSENT AGENDA**

Mayor Martin stated that item Nos. 1 and 2 will be voted on separately, and noted that item No. 15 has been withdrawn.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Quigley to adopt the Consent Agenda for December 1, 2014, and all relevant resolutions for item Nos. 3 through 16, omitting No. 15:

3. Receipt of Committee/Commission Minutes:
  - Economic Development Authority, November 3, 2014
  - Human Rights Commission, November 19, 2014
4. Verified Claims in the Amount of \$914,639.15
5. Purchases
6. Change Order #1 - 2014 Trail Rehabilitation, CP 14-05
7. Developer Escrow Reduction



Abatement hearings were held earlier this year by the City Council on the above-listed properties. At that time, the Council authorized removal of vegetative growth. A contractor was hired to perform this work, which was completed over the summer. Property owners were billed for the abatement costs, which remain unpaid.

Property owners have been notified of this public hearing, which was also published in the City's legal newspaper. Staff is recommending assessment of the abatement costs as follows:

4419 Galtier Street	\$180.47
1729 Lois Drive	\$185.97
4324 Snail Lake Boulevard	\$197.47
169 Demar Avenue	\$330.63

City Attorney Kelly stated that proper notice has been given for the public hearing.

Mayor Martin opened the public hearing. There were no comments or questions.

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to close the public hearing at 7:15 p.m.

MOTION: by Councilmember Quigley, seconded by Councilmember Johnson to adopt Resolution No. 14-113 adopting the assessment roll for costs for the abatement of vegetative growth and/or nuisance conditions on the following properties:

4414 Galtier Street  
729 Lois Drive  
4324 Snail Lake Boulevard  
169 Demar Avenue

ROLL CALL: Ayes: Johnson, Quigley, Wickstrom, Withhart, Martin  
Nays: None

### **PUBLIC HEARING - REVIEW OF 2015 BUDGET AND TAX LEVY**

City Attorney Kelly stated that proper notice was given for this public hearing.

Councilmember Wickstrom noted that the County Assessor was not present. Mr. Schwerm explained that he had to attend the public hearing for the county, which is also being held this evening. It used to be that the public hearings for the county, cities and smaller jurisdictions could not be scheduled on the same night. That law was modified several years ago.

### **Presentation by Finance Director Fred Espe**

The following documents are available for public review: 2015 Budget Summary, Utility Operations Booklet, Community Benchmark Booklet, Biennial Budget, and Five-Year Operating

Plan. The process this year is to amend the City's Biennial Budget and Capital Improvement Program that was adopted last year.

The 2015 budget meets all of the City's objectives:

- Balance General Fund budget--required by law
- Maintain existing services and programs
- Fund infrastructure replacement
- Continue 5-year financial planning
- Meet debt obligations
- Maintain AAA bond rating
- Amend biennial budget
- Protect and enhance parks and recreational facilities
- Position the City to address future challenges and opportunities with the following policies:
  - Maintain and revitalize neighborhoods
  - Encourage business expansion and reinvestment
  - Assist redevelopment opportunities
  - Utilize technology to improve services

The City's proposed tax levy is broken down into a number of components. Listed are the increases for 2015:

- The General Fund, general operations of the City, is proposed to increase \$186,181 or 2.72%. This is 1.86% of the total tax levy increase of 3.53%.
- EDA and HRA increases totaling \$15,000
- Debt funds increase of \$20,000
- Capital replacement funds increasing by \$127,583

The total levy increase from 2014 is \$353,764, or 3.53%. This proposed tax levy is \$151,753 less than the preliminary levy included in last year's biennial budget. The taxable value for the City is increasing in 2015 by 11.5%. When the increase in taxable value is combined with the tax levy, the City's tax rate is decreasing by 7.11%. This is the first time in many years that this has happened. It is important to note that Shoreview received no state aid in 2014, and will not receive any in 2015.

The major increases in the tax levy are:

- Public safety contracts for police and fire--this item most impacts the budget. Public safety is increasing by \$208,015 in 2015. The increase for police is mainly due to cost of living and health insurance increases. The increase to the fire contract is to cover full implementation of a 24-hour duty crew by July 2015.
- Capital funds are increasing \$132,000. Efforts are made to budget capital replacements on an even level so as to avoid big jumps in the levy due to unforeseen expenditures.
- Wage and benefit adjustments will increase by \$46,949. This includes a 2% cost of living increase for the first half of the year and an additional 0.5% cost of living increase

the second half of the year. The City's contribution to benefits is increasing \$20 per month.

Items that have allowed the budget to be reduced:

- Cost for emerald ash borer control is less than budgeted so a reduction in forestry and nursery supplies by \$15,000
- No election costs in 2015, a decrease of \$27,500
- Delay in filling the position of Park and Recreation Director for one year is a reduction of \$27,923
- State MSA Street Maintenance Aid to the City has increased by \$47,000, thus reducing the levy by that amount
- Transfers from utility funds into the General Fund are increasing by \$49,000, thus a decrease in the levy
- Other changes amount to a reduction of over \$40,000.

There has been a change in accounting procedures for reporting public safety revenue and expense. The increase for public safety of \$424,612 includes the state aid to the Fire Department in the amount of \$219,000. It comes to the City and the City writes a check for that amount to the Lake Johanna Fire Department. Such a large increase will not be shown in the future, as it will be accounted for in the budget going forward.

Total operating expenditures in the budget by percentage are:

Enterprise Funds (utilities)	24%
Parks and Recreation	23%
Public Safety	14%
General Government	10%
Depreciation	8%
Debt Service	8%
Public Works	8%
Central Garage	2%
Community Development	3%

Total operating revenues are increasing 4.2%. The intergovernmental amount includes the \$219,000 of state aid to the Fire Department. Decreasing this \$219,000 means a total increase of revenue by 3.3%. The largest three areas of increase in revenue are utility charges, 35% of total revenue; property taxes, 31% of total revenue; and charges for services, 24% of total revenue.

Strategies and efficiencies the City uses to reduce the budget include:

- Contracting for police and fire services - costs are significantly less than other cities that pay for their own Police and Fire Departments.
- Use of a correctional crew from the Lino Lakes Correctional Facility for certain maintenance work.

- The City does not maintain a contingency allowance in various funds; the budget reflects what is expected to be actual costs.
- Long-term preventative maintenance for capital assets
- Maintain a high deductible for health and property insurance plans
- Capitalize on debt refunding opportunities - in the past year the City saved taxpayers \$364,000 by refunding debt to reduce interest costs.
- Maintain AAA bond rating also saves interest costs to the City.

### **Market Value**

In Shoreview, 92% of homes experienced an increase in value for taxes payable in 2015. Only 7.7% of homes had a decrease in value; and only 0.3% of homes had no change in value. A median-valued home in Shoreview in 2014 was \$224,500. That has increased to \$247,500 in 2015, a 10.2% value change.

The following shows examples of property value changes to a median home value and the impact on City taxes within the Mounds View School District and Rice Creek Watershed District:

<b>Increase in median home value for 2015</b>	<b>Change in City Property Tax</b>
25% increase	\$140.00
20% increase	\$106.32
15% increase	\$ 69.06
10.2% increase	\$ 31.71
5% increase	Decrease of \$115.25
10% decrease	Decrease of \$174.48
15% decrease	Decrease of \$240.84

Below are examples of various home values and how City taxes are impacted assuming the average value increase of 10.2% or 10.3%:

<b>2015 Home Value</b>	<b>Change in City Property Tax</b>
\$247,500	\$31.71
\$500,000	\$40.23
\$900,000	\$123.57

The total tax bill is distributed among a number of jurisdictions. If the total property tax bill is \$3,572, it is distributed among the following jurisdictions: Ramsey County, School District 621, City, Metropolitan Council, Mosquito Control, Rice Creek Watershed District, Shoreview HRA, County Regional Rail. The City receives 23% of that amount. The largest portion of taxes goes to the County and School District.

### **Community Comparisons**

In comparison to other communities of similar size in population, Shoreview taxes are 19% below the average on a median value home for City taxes. This means that out of 28

metropolitan communities, the City ranks sixth lowest in City taxes. However, when the comparison is made including all jurisdictions, Shoreview ranks ninth highest or 3.7% above average. Again, the largest share of property taxes in Shoreview goes to the County and School District.

Staff is requesting the Council hold the public hearing and recommend approval of the amended 2015 budget, amended 2015-2019 capital improvement program, and adoption of the proposed 2015 levy and utility rates.

Mayor Martin opened the public hearing.

**Ms. Joyce Thompson**, 4746 Victoria, stated that it was a shock to receive her property tax statement, which shows an increase of 15.9%. Her property value has increased by \$49,000, or 24.5%. She called the assessor's office to find out the reason because she has made no major improvements to her property. The County Assessor did visit her property and lowered the value by \$9,000. It was suggested to her that her property value has been low in recent years and hence the big jump. She believes there is a pattern to tax increases. There is always something that is a big increase. This year it is property values. There must be a way, with computer technology, for people to be able to anticipate what their taxes will be and be able to budget for them. The utility bill is increasing 5%. In 2011, the Economic Development Authority tax was \$25,000, when it started. Now, combined with the Housing and Redevelopment Authority, it is \$185,000. Residents now pay a City fee on the Xcel energy bill, which is called the Community Investment Fund. That is \$875,000. She was unable to find it anywhere in the budget. Taxpayers have to live within a budget. It is difficult for taxpayers and herself, as a senior, to budget for all the increases. She does not have Cable or cell phone service.

**Mr. Al Westberg**, 4875 Hanson Road, stated his taxes increased 22%. Mr. Westberg asked for clarification of the following paragraph, quoted from page 17 of the 2015 Budget Summary Booklet: "Periods of lower consumption mean the City maintains and operates the water system with less opportunity to recover costs due to fewer gallons being sold to customers."

**Mr. Edelston** stated that he would like to be able to speak in a meeting when the County Assessor and City officials are together and asked if another meeting could be scheduled. Taxes are going crazy. His pay increase is 2%, but 15%, 20% and 12% increases. He asked if the levy would be voted on at an election.

Mayor Martin explained that the tax levy is being presented at this public hearing and then the Council will vote on it. Mr. Schwerm further explained that in Minnesota, state law dictates how levies are adopted. All counties, cities and local jurisdictions and their respective boards, city councils, and school boards are responsible for voting for a particular levy. The levy is not put to a public vote. The public vote is electing representatives to these boards and councils.

**Mr. Edelston** asked if there is a way to lower taxes in Shoreview other than what the Council is doing. Mr. Schwerm stated that the tax system is very complex. Normally, property tax increases would mirror the tax levy increase. People seeing a large increase in property value are also seeing large increases in their taxes. The impact is that some properties are paying a larger

percentage of the tax burden with a 15% or 20% increase. Even if the City lowered its taxes substantially, there may still be large increases because of the property value change. A combination of factors impact taxes. This year, property value is the major factor causing large property tax increases.

**Mr. Edelston** asked if the City is saying that taxpayers can sell their property for what the tax statement says it is worth. Mr. Schwerm stated that the County sets the value on property.

Mayor Martin stated that the place to appeal property value is through the County process described on the tax bill. Mr. Schwerm added that the real test is whether the home value is accurate and whether it could be sold for the value that the County has assigned to it. The last five years have shown decreases in property value. Last year property values held even. This is the first year in about six years that property values have increased significantly.

There were no further questions or comments.

**MOTION:** by Councilmember Johnson, seconded by Councilmember Wickstrom to close the public hearing at 7:50 p.m.

**VOTE:** Ayes - 5 Nays - 0

Mayor Martin stated that Ms. Thompson mainly raised issues about the increase in value but also raised a good question about the increase in the Economic Development Authority (EDA) budget. Mr. Schwerm responded that the EDA was established by the City Council to help grow the City's tax base. As the City is fully developed, this can only be done now through redevelopment. A second major goal of the Council is to support housing rehabilitation. The EDA oversees redevelopment and housing issues. The EDA has set up loan funds for housing rehabilitation available to residents. The EDA has also assisted with redevelopment that has resulted in tremendous growth in the tax base and growth in local companies to help the economy. The retail redevelopment that brought Trader Joe's to Shoreview is a result of the outreach of the EDA. The EDA budget has grown quickly to reflect staff costs associated with the work of the EDA and to support consulting and housing loan programs.

Councilmember Johnson, EDA Member, added that the EDA is also working collaboratively with a number of agencies to address hoarding issues. That effort takes funding and staff to be able to take action and address these situations.

Councilmember Withhart, President of the EDA, stated that the EDA has been instrumental in helping with two major business expansions in Shoreview, PaR Systems and TSI. Also, a number of new businesses have located in Shoreview. At the EDA meeting earlier in the evening, there was extensive discussion about the Rainbow site and plans for its redevelopment. The goal is to redevelop that site at its highest and best use. This type of site generates more taxes than residential development. It is important to keep commercial and industry sites healthy. He noted that the value of his home increased in the 20% range. When value goes up, it does not mean the City is spending more money. It means various components of the taxing system are being put in balance. Someone else is paying less while residents with higher value

increases pay more. Higher property value means selling at a higher price, but can also mean higher taxes.

Mayor Martin stated that Shoreview taxes represent 23% of the total tax bill. Among similar sized cities, Shoreview ranks sixth from the bottom in City taxes. When the county and school district taxes are added in, taxes are higher than average. However, the City is only responsible for City portion of the bill. In response to Ms. Thompson's reference to franchise fees, she explained that the reason the City imposed franchise fees is to replace tax dollars that were being contributed to the Capital Improvement Fund. Franchise fees generate approximately \$800,000 a year. The City Council deliberated this action at great length. The City has had the authority to impose franchise fees for over 20 years. Part of the reason they were not imposed is because the City had a 25-year contract for the tall towers. That contract, which generated approximately \$110,000 a year, expired last year. The City was also getting money from Public Use Dedication fees. Every time a property was developed a percentage was paid by the developer to be used for parks and trails. Since the City is fully developed, those fees have greatly decreased. Antenna fees are collected for all the antennas mounted on water towers, and the City receives fees for the two billboards along I-694. All of this revenue was going to the Community Investment Fund to address future recreational needs in the community. Franchise fees replaced putting taxpayer dollars into that fund. The Council felt it was fairer to charge a flat fee to all properties rather than to generate the revenue from property taxes. Everyone is paying the same. If property taxes were used to fund the Community Investment Fund, many would be paying more than others.

Mr. Espe responded to Mr. Westberg's request for clarification regarding water rates. He explained that within the Water Utility Fund there are variable and fixed costs. Fixed costs must be paid regardless of the number of gallons of water sold. As the number of gallons of water sold decreases, fixed costs must still be covered. Rates are increased to make sure the fund has sufficient funding for operations, repairs and maintenance. For all utility funds (water, sewer, surface water, street light, storm water), a low user rate will experience a 5.2% increase; a high user rate will see a 6% increase.

Mayor Martin emphasized that the increase in utility rates are not money makers. They are needed to cover costs of operations. Mr. Schwerm noted that rather than have rates jump because of low consumption, rate increases are kept as even as possible. In the next two years rates are set to increase 7% because the City is building a water treatment plant to address iron and manganese levels in City water, which is a growing concern. Projected rates after the next two years are anticipated to be at inflationary levels in the 3% range.

Councilmember Wickstrom stated that it is her understanding that the value of commercial business property has decreased. She asked if it is known what impact that has had on residential property taxes. Mr. Schwerm stated it is not known precisely because the tax rate is based on overall value of a property. What is known is that commercial property values increased only slightly while residential property values increased on average by 10%. The City's total property value increased by approximately 11.5%. If all property values increased by the same percentage, tax changes would be the same for everyone. However, with commercial property values down and residential property values increasing, that means more of the burden of taxes

has shifted to residential property. Over the last five years, residential property values declined. Business property values did not decline as quickly, so over that time period business properties took on more of the tax burden.

Councilmember Wickstrom stated that she experienced the same sticker shock with her taxes as everyone else. However, the portion of taxes that the City can control is very small. A small change in City taxes would be a huge impact to the budget. Costs are being kept to a minimum. It is important to maintain reserve funds for maintenance and replacement costs. If maintenance is allowed to slide, it will only be a bigger cost in the future.

Councilmember Wickstrom noted that there has been a settlement between the White Bear Lake Homeowners Association and the Department of Natural Resources (DNR). Shoreview is one City that could be impacted on the proposed water treatment plant. She asked for a brief update.

Mayor Martin stated that the opinion was just released late in the afternoon. More study is needed before statements can be made about it. Mr. Maloney stated that the settlement is among two plaintiff groups and the DNR concerning the lake level of White Bear Lake. The DNR is one of many agencies related to water in the area that the City works with as a municipal water supplier. There are references in the 25-page settlement for the DNR to not be a barrier to the topic. The policies and feasibility plans of the Metropolitan Council are being used as a basis for the settlement, which will impact northeast metro communities. A number of actions will be needed at the state legislature to implement these widespread changes. To implement these changes will cost a lot of money that has not now been identified for this purpose.

Councilmember Withhart stated that one of the biggest parts of the City tax increase is due to the Fire Department. As Chair of the Fire Department Board, he explained that this is the last year of adding duty crews to the Fire Department. The direct benefit to everyone is that emergency response time has been cut dramatically. Lives are being saved. Fire Department personnel are very well trained and are often the first on the scene of an emergency. All are EMTs and many are paramedics. After 2016, the increases from this program will level off. It is a planned transition from a 100% volunteer department to a department with duty crews. Firefighters are still paid on call, but they are paid for shifts when they stay at the station. The reason for this change is that many of the firefighters work outside the City and are not available when a call comes in. If that expense were taken out of the budget, other budget expenses, such as the increase for health insurance, would be a very small percentage.

Mayor Martin added that of the \$353,000 increase to the levy, \$208,000 is related to public safety. This levy is an amendment to the biennial budget approved last year, which was significantly higher. The amendment reduces the budget proposed in 2014 by \$154,000. This is a City Council that works hard to keep taxes as low as possible in the City. That is a challenge because the Council is committed to keeping the quality of the community with maintenance of parks and facilities. The City does not want to get caught and have to issue millions of dollars in bonds to catch up with work that should have been done but was not done because of the expense. Other communities have done that because needs were not addressed. Shoreview addresses its needs well through the Comprehensive Infrastructure Replacement Fund. This fund is a plan for infrastructure replacement 50 years into the future. If the roof of the Community

Center needs to be replaced in 2036, the plan accounts for that approximate cost and how it will be paid. Shoreview is unique in its approach to City funding. As a senior, she knows the impact of this tax increase. It is good because properties are at a higher value, but it results in higher taxes. The Council and staff work very hard to keep the City portion of tax increase in small increments so taxes are not flat one year and then take a large jump the next year.

Councilmember Withhart stated that it is very difficult for the Council to address tax issues when the state has a tax system that no one can understand. Although, the City can control its own expenditures, it is really difficult to govern at the local level with the nightmare complexity of how taxes are assigned in Minnesota.

Mayor Martin stated that approval of this budget will be at the Council meeting on December 15, 2014. Anyone who has specific questions regarding their individual tax bill can talk to Finance Director Espe or City Manager Schwerm at the end of this meeting. They will stay to answer questions.

### **APPROVAL OF PROPOSAL BY AVI SYSTEMS, INC. - TIGHTROPE HD PLAYBACK SYSTEM**

#### **Presentation by City Manager Terry Schwerm**

The City Council recently decided to withdraw from the North Suburban Communications Commission (NSCC) at the end of the year. Plans are being made to maintain capability of broadcasting and rebroadcasting City Council and Planning Commission meetings and other City events. Approval is requested for the purchase of a Cable playback system that is required for rebroadcast of City Council meetings. Staff met with three audio/visual vendors regarding the equipment needed. Two vendors submitted proposals, but only one included information on the exact cost of the playback equipment. The equipment identified is the industry standard, Tightrope Media Systems Cablecast system. It must be purchased through an authorized vendor. Staff is recommending purchase through AVI Systems. Playback would be possible on two channels, the City's government channel and on a public access channel that could be programmed in the future.

The cost is \$39,270.00 for the equipment, installation and one-year system support agreement for operator training and replacement of any faulty equipment. Funding for this equipment would be from the City's cable fund, not from tax dollars. The cable fund is collected through franchise fees paid by subscribers. The City is in the process of negotiating a new franchise, which would provide funding for this capital equipment purchase either through a grant or ongoing PEG fees that the City would receive from the new franchise.

Councilmember Wickstrom emphasized that this expense comes from the PEG fees on cable subscribers' bills. The Council will consider a reduction to the PEG fee as part of negotiating a new franchise agreement.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Withhart to approve the proposal by AVI Systems, Inc. for a Tighrope HD Playback system and installation in the amount of \$39,270.00.

ROLL CALL: Ayes: Quigley, Wickstrom, Withhart, Johnson, Martin  
Nays: None

**ADJOURNMENT**

MOTION: by Councilmember Withhart, seconded by Councilmember Johnson to adjourn the meeting at 8:25 p.m.

VOTE: Ayes - 5 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 15<sup>th</sup> DAY OF DECEMBER 2014.

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Terry Schwerm  
City Manager