

MINUTES

1. CONVENE CITY COUNCIL WORK SESSION MEETING

Mayor Zerby called the meeting to order at 6:00 P.M.

A. Roll Call

Present. Mayor Zerby; Councilmembers Johnson, Labadie, Siakel, and Sundberg; City Administrator Lerud; Finance Director Rigdon; Planning Director Darling; and Director of Public Works Brown.

Absent: None

B. Review Agenda

Johnson moved, Siakel seconded, approving the agenda as presented. Motion passed 5/0.

2. BUDGET

Finance Director Rigdon stated that plans are to submit the preliminary budget to the County by the end of September and noted that it cannot be increased after that, but can be decreased. He stated that Truth in Taxation meeting is tentatively scheduled for December 2, 2019. He gave a brief overview of the proposed 2020 budget. He stated that the General Fund expenditures and transfers are budgeted for a 4.9 percent increase from 2019. He noted that the transfers include an increase for street improvement and a shift from capital equipment to park improvements. He gave an overview of the personnel related assumptions in the proposed 2020 preliminary budget.

Councilmember Johnson asked if it was projected that the health insurance premiums would continue to increase approximately ten percent a year over the next ten years. Finance Director Rigdon stated that he was not sure and noted that it could increase higher than ten percent. He stated that there is always the possibility to look at other insurance carriers. Councilmember Siakel asked when the City had looked at other carriers. City Administrator stated that it was before he came to the City so it had been longer than three years ago. Councilmember Siakel stated that it may be a good idea to take a look because sometimes it is better to swap carriers back and forth to get better rates. Rigdon reviewed how the employer contribution works towards the insurance premiums.

Rigdon stated that Public Safety makes up the largest portion of the City's expenses followed by Streets and then General Government. He explained that property taxes were paying for 90 percent of the City's operating costs. He stated that the City does not have a lot of other options for revenue other than the levy. He stated that there is a proposed use of almost \$90,000 from the reserves in order to balance the budget. He stated that the City has planned to use reserves for this purpose for the last few years but noted that it has not had to happen because building permits have carried the City through. He stated that he is not planning on that happening this year and noted that he does not want to base an increase in the budget on something that the

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City does not have control over such as the building permits. He explained that if there was an economic turn over and building slowed or stopped, he did not want the City to be counting on that revenue for their operations.

Ridgon stated that there are a few General Fund transfers that are included in the budget. He stated that there is a proposed transfer of \$70,000 for assistance with the operations at the Shorewood Community and Event Center as well as \$32,300 to assist with building improvements. He stated that staff believes these transfers will be able to be lowered in the future but are suggesting that the City wait another year before analyzing the situation. He reviewed the Enterprise Funds and the utility rate increases. He gave an overview of the preliminary property tax levy and noted that they are proposing a net tax rate increase of 1.5 percent. He noted that there had been consistent increases in the taxable market value in the City. He reviewed the suggested property tax levy increase of 5.9 percent and gave examples of how that would affect the property taxes for homes in the City. He explained that staff is looking for feedback from the Council on the proposed levy increase.

Councilmember Siakel stated that a 5.9 percent sounds like a huge number but when all the numbers are calculated, the overall impact is not much for the residents. Councilmember Sundberg agreed that the number sounds high so the City will have to communicate with residents what their final impact will be when all the numbers are calculated.

Mayor Zerby stated that he is not sure how the City can lower this amount because he has looked at the budget and does not see anything he wants to remove from the budget. He stated that he feels what has been included in the budget is truly what is needed for the City. Councilmember Sundberg asked if part of the issue was that the City had lagged a bit on keeping up on the roads and now the City is trying to catch up a bit and paying for it on the back end.

City Administrator Lerud stated that the transfer to the Street Fund will continue to increase over the next few years. He stated that the Public Safety and Elections expenses cannot be cut because those are outside of the City's control and account for about thirty percent of the proposed levy increase.

Councilmember Siakel stated that she would suggest staying with the proposed levy increase because the City can decrease it later but cannot increase it. She stated that the totals in the budget for streets have been difficult because the costs have changed so dramatically. She stated that a lot of things are out of the City's control. She stated that there have been many years where the tax increase was only at one percent and noted that she believes the City only takes what is needed.

Councilmember Sundberg stated that she is not in favor of short term cut backs because she believes that will just increase problems in the future.

There was a consensus of the Council to hold the tax levy at 5.9 percent.

Finance Director Ridgon stated that staff would also like feedback on the possibility of funding the Parks Capital Improvement Plan (CIP). He reviewed some examples of how the City can fund this area such as moving some of the money that was earmarked for the Equipment Fund to Parks and explained that the Equipment Fund has sufficient funds.

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Councilmember Sundberg asked if what staff was proposing were ways to keep up with what is already in the pipeline for the Parks projects. City Administrator Lerud stated that this transfer would not fully fund the Park projects that are in the pipeline.

Councilmember Sundberg asked about a Park Bond Referendum. Lerud explained a Park bond is a ballot question that would go on the November ballot and be voted upon by residents. A bond would allow the City to do a bunch of projects and then pay for them over time. He said it is just an option and not something staff is recommending.

Councilmember Siakel asked what big-ticket items that were coming up in the Parks. Planning Director Darling stated that the larger projects are the Badger Park tennis courts and fencing, redevelopment of Southshore Park, playground rehabilitation in both Silverwood and Cathcart Parks and some trails.

Councilmember Siakel stated that she is not sure the Southshore Park needs to be redeveloped right now. She stated that perhaps a decision needs to be made to finish some of the other projects in the City before taking on another redevelopment. Councilmember Johnson stated that he had an idea for that park that will be on the September Parks Commission agenda.

Councilmember Labadie asked if there was any grant money available for Southshore Park if the City focused on hitting a different demographic, for example focusing on pickle ball rather than playground equipment. Lerud said he believes the City has been successful in pursuing grant money for projects but does not want to budget with the expectation that the grant monies will be coming in. He stated if the Council determines a project is needed, it should proceed regardless if there is grant money or not. Grant money would help defray the cost of a project – not determine if a project should be done.

Councilmember Labadie stated that she agrees with Councilmember Siakel that perhaps the City leaves Southshore Park as is for now and finishes other projects in the City and then re-evaluate the situation. She asked if improvements to Manor Park Pond would be coming out of Park Funds. Lerud noted that the money pledged for the Manor Park Pond is from the excess fund balance.

Councilmember Sundberg stated that she agreed with Councilmembers Siakel and Labadie that Southshore Park redevelopment could be put on hold while other projects are finished.

Finance Director Rigdon gave an overview of the evaluation of the Enterprise Rates and explained that looking out ten years, the City has significant utility projects with significant infrastructure components to them. He stated that because the City wanted to know that there would be enough money when the time came for the projects, a study was conducted by David Drown Associates to provide a rate analysis. He stated that the analysis proposes a fairly significant increase in rates of 10 percent for water, 9 percent for sewer, and 3 percent for stormwater per year.

City Administrator Lerud stated that the Council had discussed this at their retreat and agreed that this was where the City needed to go. He stated that staff just wanted to make sure that was still how the Council felt about the proposed increase in utility rates.

Councilmember Sundberg stated that she has always wondered a bit about Eureka Road, Strawberry Lane and Grant Lorenz. Lerud explained that those projects will involve storm sewer and will be a challenging corridor. Public Works Director Brown gave an overview of what will be necessary for this area and reviewed some of the right-of-way issues.

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Councilmember Siakel asked if there were any other ideas for how to manage the storm water and how the City can build revenue. She stated that she does not think the City has enough money coming into this area because she believes the need is probably more than what is on paper. Lerud stated that the reality is that the City is 97 percent residential and many of the other cities that have more robust storm water funding have much more commercial development to cover those costs.

The Council talked about the changing demographics of some of the neighborhoods and the desire for trails and sidewalks. They discussed the possibility of partnering with Chanhassen and assessing the school district for sidewalk construction costs.

Councilmember Johnson noted that there is a sliding scale for the water rate based on usage but noted that there is not one for sanitary sewer. He asked if that was something that the City could implement. Public Works Director Brown stated that the City could use a meter but the challenge would be forcing people that use well water to meter their usage. He stated that he believes there would be trouble applying it uniformly throughout the City.

Councilmember Johnson asked if the City should consider a larger penalty for using, for example, forty thousand gallons of water per quarter. He asked how many households would fall into that category. City Administrator Lerud stated that staff can take a look at that breakdown and get the information back to the Council.

Mayor Zerby noted that the most frequent things that he hears from residents are about storm water, drainage and roads. Councilmember Siakel stated that she also believes the watershed needs to be more involved and would like them to provide more financial assistance for some of these projects because they effect the watershed.

City Administrator Lerud stated that the watershed has had some staff turnover and agrees that it is a good idea for the City to reach out to them and see if there are some areas the City can partner with the watershed on some of these projects. Public Works Director Brown suggested holding a work session between the City, Barr Engineering and the watershed.

3. ADJOURN

Johnson moved, Labadie seconded, Adjourning the City Council Work Session Meeting of August 12, 2019, at 6:50 P.M. Motion passed 5/0.

ATTEST:

Scott Zerby, Mayor

Sandie Thone, City Clerk