

MINUTES

1. CONVENE CITY COUNCIL SPECIAL MEETING

Mayor Zerby called the meeting to order at 7:01 P.M. with the Pledge of Allegiance

A. Roll Call

Present: Mayor Zerby; Councilmembers Siakel, Labadie, and Johnson; Administrator Lerud; and Finance Director Rigdon

Absent: Councilmember Sundberg

B. Review Agenda

Siakel moved, Labadie seconded, approving the agenda. Motion passed 4/0.

2. TRUTH-IN-TAXATION HEARING

A. Staff Presentation

Finance Director Rigdon walked through the presentation for this public meeting.

The Truth-in-Taxation requirements are to present the City's 2020 General Fund Operating Budget and 2020 property tax levy, discuss the budget and tax levy, and to take public comment. Council will be asked to adopt a property tax levy and balanced budget during its December 9 meeting.

The City's portion of the property taxes pay for a number of services funded out of the General Fund. There are four major main operational areas – administration (including finance, planning and zoning, elections, and other miscellaneous services); public safety (police and fire protection, building inspections); public works; and, parks and recreation.

The assumptions used in preparing the 2020 General Fund Operating Budget are as follows.

- A 5.9 percent tax levy increase over 2019 for General Fund operations and transfers out to reserve funds.
- One new street inspector position and increasing the planning technician position from .8 to full time.
- Other staffing levels remain the same as 2019.
- 3.0 percent cost of living increase

The City's General Fund 2020 combined revenues and transfers total \$6,566,196 reflecting an increase of 4.7 percent compared to 2019. Property tax revenues are proposed to be \$5,856,611 for 2020. The breakout of the revenues and transfers is 89 percent from property taxes, three percent from licenses and permits, four percent from miscellaneous revenues, two percent from

intergovernmental, one percent from fines and forfeitures, and one percent from charges for services.

The City's General Fund 2020 expenditures are budgeted to increase 5.2 percent. Transfers out of the General Fund to other funds are budgeted to increase 3.0 percent. Total 2020 expenditures and transfers out amount to \$6,622,581, an increase of 4.8 percent. The breakout of expenditures and transfers out by program is 36 percent public safety, 32 percent streets, 24 percent general government, and 8% parks and recreation. Expenditures out by type include other services and charges at 41 percent, personal services at 29 percent, transfers out at 18 percent, and capital outlay at 7 percent.

Reserves of \$56,385 are budgeted to balance the 2020 General Fund budget, as compared to \$46,416 budgeted use of reserves for 2019.

The property tax assessment and levy timeline for property taxes payable in 2020 was as follows. The market values were established on January 2, 2019. Valuation notices were sent out in March 2019. The Board of Review process to hear appeals on property values took place during April 2019. Council discussed the 2020 General Fund Budget and property tax levy from July through September 2019. The City certified its maximum tax levy increase of 5.9 percent for 2020 to Hennepin County in September 2019. The County mailed out Truth-in-Taxation notices to property owners in November 2019. The Truth-in-Taxation hearing was being held on December 2, 2019. The City will certify its final tax levy to the County by the end of 2019.

Rigdon clarified that this presentation is about the City of Shorewood's portion of the total tax bill which is approximately 29 percent. He highlighted some trend graphs. The taxable market value payable in 2020 will be \$1,828,461,603. Tax capacity, a derivation of market value that is calculated by applying a class rate to the market value of a property, with the resulting number is used in calculating tax rates and tax dollars to the property owners will be \$20,371,309 for 2020. The City local tax rate for taxes payable in 2019 was 28.539 percent. The 2020 tax rate is proposed to increase to 28.973 percent, which is 1.5% higher than the tax rate in 2019. Rigdon reviewed a property tax impact example for a \$600,000 residential property indicating an estimated 1.5 to 3.0 percent average increase in city property taxes.

Rigdon discussed the city's General Fund balance policy and indicated there are sufficient reserves to balance the 2020 budget.

Rigdon noted Council will be asked to adopt the 2020 General Fund Budget and property tax levy during its December 9, 2019 meeting. Council will also be asked to approve the 2020 Shorewood Community and Event Center and Enterprise Fund Budgets. He said the 2020 Capital Improvement Program will be discussed during a workshop in January and approved at a subsequent meeting.

B. Public Comment

Mayor Zerby opened the public comment portion of the hearing at 7:17 P.M.

George Greenfield, 24715 Yellowstone Trail, asked what the city was losing in revenue from the Shorewood Landings project and the Waters Project in Excelsior and wouldn't the city be in a better financial situation if tax increment was not approved for those projects. Rigdon said that the property tax revenue above the original value of the property is kept in a tax increment fund and repaid to the developer pursuant to the agreement. Lerud said that the city continues to receive the property taxes at the same level as prior to the project being built, so there is no "loss." Greenfield said that he thought that tax

CITY OF SHOREWOOD SPECIAL MEETING MINUTES

December 2, 2019

Page 3 of 3

increment was not needed in order for that project to be build. Lerud said he understands that argument, but tax increment was approved and while there is a number of years that the city will not realize tax revenues to the General Fund, when the district is decertified, the city will be guaranteed to receive the revenue.

As far as the Waters project, Lerud said the city receives a payment from Excelsior equal to the amount that the city received in property taxes before the parcel was detached to Excelsior for the project. When that project is decertified, Lerud said the city will capture approximately 70 percent of the city property taxes paid, even though the parcel is in Excelsior.

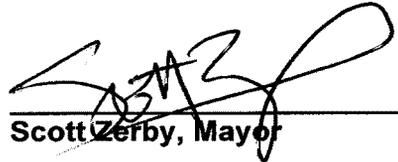
Greenfield said he had one more question. He said he thought the amount that employees had to pay monthly insurance premiums was high. Councilmember Siakel said that amount represents the city contribution to employee insurances. Greenfield thanked the council for the clarification.

Councilmember Siakel said she appreciated the detail of the presentation.

Lerud asked if there was anything additional to the information provided tonight that the council wanted prior to the meeting next Monday. The council said the information was sufficient.

3. ADJOURN

Johnson moved, Labadie seconded, Adjourning the City Council Special Meeting of December 2, 2019, at 7:30 P.M. Motion passed 4/0.



Scott Zerby, Mayor

ATTEST:



Sandie Thone, City Clerk