

City of Excelsior  
Hennepin County, Minnesota

MINUTES  
EXCELSIOR CITY COUNCIL WORK SESSION

NOVEMBER 3, 2014

1. CALL TO ORDER/ROLL CALL

Mayor Gaylord called the meeting to order at 6:01 p.m.

Present: Councilmembers Beattie, Caron (arrived at 6:05 p.m.), Fulkerson, Miller (arrived at 6:08 p.m.), and Mayor Gaylord

Absent: None

Also Present: City Manager Luger, Finance Director Tumberg, City Engineer Dawley, City Attorney Staunton, Public Works Superintendent Wisdorf and City Clerk Johnson

2. AGENDA APPROVAL

Beattie moved, Fulkerson seconded, to approve the agenda. Motion carried 3/0.

3. 2015 BUDGET AND TAX LEVY

Tumberg said that tonight's meeting is one of the final opportunities for the Council to make changes to the 2015 budget and tax levy. Tumberg said that staff has incorporated a few changes to the budget since the last Council meeting: the Southshore Community Center contribution has been removed; Luger completed the market rate salary study and made a couple of changes to the City Planner and Finance Director positions; Luger also outlined in a memo to the Council her recommendation to outsource code enforcement to the South Lake Minnetonka Police Department (SLMPD); and the Special Event Coordinator position is not included in this budget.

Tumberg said that another item to discuss in regards to the budget is the Fourth of July police costs. The Coordinating Committee discussed each City sharing in the cost of the Fourth of July event, rather than the SLMPD directly billing the Excelsior-Lake Minnetonka Chamber of Commerce (Chamber). Historically, Tumberg said that the City has contributed \$2,000 for fireworks and said the Council should discuss whether or not to use \$1,500 of this money for police costs or increase the overall contribution for the Fourth of July event. Mayor Gaylord said it is important to raise the level of understanding of police costs for this event. Mayor Gaylord suggested \$1,500 go to the SLMPD and \$500 to the Chamber. Beattie asked why the Chamber isn't sharing part of the police costs. Mayor Gaylord said it was decided to have the cities pay directly to the SLMPD. Caron said she doesn't recall the cities paying towards police costs in previous years. She believes that people assume they are donating directly towards the fireworks only.

3. 2015 BUDGET AND TAX LEVY - *Continued*

Luger said the Coordinating Committee thought the idea was that the Chamber would never be billed for police costs. She said the question is whether the Council wants to increase the amount of the City's donation.

Caron said the Chamber has only one fund for the Fourth of July, which donations are added to and expenses are paid from.

Mayor Gaylord said the Coordinating Committee believed the assumption of other cities was that the fireworks and police protection were paid by the cities.

Caron said her concern is if the City pays directly to the SLMPD, the costs may increase and the cities would have to bear those increases. Caron said the Fourth of July event is hosted by the Chamber and that they generate a profit from this event. She said she would prefer to donate to the Fourth of July and let the Chamber do what they need to do with the money.

Mayor Gaylord said another issue is that police costs would be billed "at cost" to each City, rather than at a mark-up when it is billed to the Chamber.

Beattie said the other issue is the additional \$1,500 and not just where this money is going. Tumberg said it is optional whether the City increases the amount or not.

Fulkerson said she doesn't understand why this needs to be changed.

Mayor Gaylord said there is a cost break from the SLMPD if these costs are paid directly by each City.

Caron said the City should talk to the SLMPD about adjusting the costs.

Miller said there is a parallel scenario in the Excelsior Fire District (EFD). He said cities are looking for ways to reduce costs. Miller said the EFD is now charging for inspections, which will in turn be charged to the event. Miller said he thinks the police costs should be paid the same as they have been and doesn't think the costs for police and fireworks should be separated.

Caron said it keeps it clean if all charges are forwarded to the event organizer.

Beattie said it's odd that there is a mark-up for police services and that the City should not allow that to occur for a community event.

Mayor Gaylord suggested continuing with the \$2,000 donation and decide later on how it would be split.

Tumberg said another potential change that was included in the budget is the additional seasonal position for parks maintenance but that increases for parks maintenance supplies was not included. Tumberg said additional funds may be included to support the additional seasonal position in the 2015 budget. Beattie

3. 2015 BUDGET AND TAX LEVY - *Continued*

asked how much would be recommended to include. Wisdorf said about \$1,500. Tumberg said this is another potential change to consider with the budget.

Tumberg said another item is the Phase III Street Project. She said that the City has \$50,000 allocated towards this project via levy increases. In order to begin work in 2016, Tumberg said the City would need to raise the levy by another 1.8 percent over each of the next two years. Tumberg said the target amount is \$100,000.

Mayor Gaylord commented that if the levy is currently at 2.56 percent, it makes sense to try and level it out. Tumberg said, with these changes, the levy is now at 1.63 percent. Mayor Gaylord said the levy could be increased slightly to balance out the remainder of the street improvements.

Beattie said residents are aware of the 2.56 percent levy increase and suggested that the levy remain at this amount and use the extra dollars for the street project.

Tumberg said the overall budget is increased by six percent.

Miller suggested reducing the levy from 2.56 percent to two percent and put the additional .4 percent towards the street project, which would start 2015 at 1.4 percent levy increase.

Caron said the City could also reserve money for only one code enforcement issue instead of two. She said the City could use that money for streets. Caron said she likes two percent.

Miller asked what the Consumer Price Index (CPI) is now. Tumberg said it is 1.94 percent.

Mayor Gaylord said if the budget is lowered to two percent, it shows that the City is trying to manage the City's money.

Tumberg said there is \$20,000 budgeted for potential legal issues related to code enforcement.

Tumberg said only a portion of the overall bond will go towards streets. Beattie asked when the City will do the bonding. Tumberg said approximately late 2016 because the City doesn't need the cash flow right away. Beattie said the City would not be able to lock in interest rates for two years.

Miller asked what the fund balance percentage is if the budget is at two percent. Tumberg said it would break even. Tumberg said that building permits have been busy in 2014, so there may be additional money for a transfer out of the General Fund to the Capital Improvement Fund.

Luger said the City could assess in 2015 whether or not the City bonds early. Tumberg said the City's interest rates are favorable and, with the City's excellent bond rating, shouldn't change much.

3. 2015 BUDGET AND TAX LEVY - *Continued*

Miller said the City may not be able to bond early if it's not used early. Caron said the City may be able to start the project early. Tumberg said the Council needs to think about doing this project while the Met Council project is still in progress.

Beattie questioned if building permits will come in as high as \$100,000. Tumberg said yes.

The Council agreed on a two percent levy, with costs redirected to the Street Improvement Project.

Luger said that staff's assumption is that the Southshore Community Center is not included in the budget. Fulkerson said other cities have been dropping out and suggested that Excelsior continue until this is settled. Beattie said other communities are also still using the center. Tumberg said only \$2,500 was given by Excelsior to the Southshore Community Center in the last couple of years. Luger said \$9,000 is not sufficient to keep the center operating. Miller said the City has given amounts as it was able. Beattie asked how much was given in the last couple of years. Tumberg said \$2,300 was given in 2013. Mayor said the center is operating in a deficit. Caron said the deficit is approximately \$30,000, but Tumberg said it is more around \$60-70,000. Luger said Excelsior's share of the deficit was about \$27,000. Mayor Gaylord said the City has had no solution on how to operate this property and that only about 500 or more Excelsior residents have used the center in the past year. Mayor Gaylord said this is a lot of money for the City to spend per person and that Excelsior's portion of the operating loss is \$22,000 for 2015. Miller said this item has been debated for some time and doesn't think the City can support the center any more financially.

Luger said the next Work Session will have a discussion on what the City should do with the Southshore Center.

Mayor Gaylord said that the City of Shorewood would like this item decided for budgeting purposes and also before they have a new Council.

Fulkerson asked what the reserve balance is. Tumberg said it is 59 percent, as of the end of 2013. Fulkerson and Caron commented that this is very high. Tumberg said it was up to 62 percent at one point and that the City has been transferring funds out occasionally. Miller said there were accounting changes that bumped this percentage up, also. Tumberg said that, if the Council wants it lowered, some funds could be transferred out to Capital Improvement Funds. Caron asked for an update on this number for the next meeting and suggested that the Council decide at that time. Luger said staff will bring this item to another Work Session so that the Council may discuss it.

Luger said the final budget to the State must be submitted by December 28<sup>th</sup>. Luger said that Tumberg will do a staff presentation for a public meeting at the December 1<sup>st</sup> City Council meeting. Luger said the second meeting in December is reserved for approving that budget.

3. 2015 BUDGET AND TAX LEVY - *Continued*

Tumberg asked the Council if they would like the difference between 1.63 and two percent to be put towards parks maintenance supplies or all to the street project. Caron suggested taking it out of the fund balance for the parks maintenance supplies and the rest could go to the street project.

Mayor Gaylord asked how much interest is on the fund balance. Tumberg said the City has CD's and investments that are earning about 1.8 percent.

Tumberg said the last decision the Council needs to make is what to do with residential dock rates. Tumberg said that the Council requested information on the length of boats at the docks in 2013 versus 2014. Tumberg said there has not been a lot of change and that several came in at the 23 foot range.

Mayor Gaylord said the Council has the breakdown of boats, which is clearly leaning towards longer boats. Mayor Gaylord suggested instituting a fixed rate, based on the 20 foot length, as an example. He said this would increase the revenue at the residential docks.

Miller said the City's reserves for dock repair hasn't increased much in 11 years, which would argue for an increase to help with the depreciation. Caron said this is because money is being taken out. Miller said the cost of funding hasn't increased by much, but that the cost to rebuild or repair a dock has increased. Miller said that, when the Council has discussed this topic previously, there were 17 boats under 20 feet in length. Miller said he would support two standards: 1) a 20 foot minimum rate; and 2) a 24 foot minimum rate. He said if the lessee's boat is under 20 feet, they would pay the 20 foot rate. If the lessee's boat is above the 20 foot length, they would pay the 24 foot rate.

Caron said that past discussions were that the City would replace a portion of the docks at a time, not the entire dock. She thought the Council had decided that the amount the City had in the docks fund was sufficient, which is why \$30,000 was transferred out. Caron said she does not agree with increasing the dock rates.

Beattie asked about the \$290,000 for rebuilding the docks and if the City has an amortization schedule for dock repair. Wisdorf said that staff was trying to establish \$175,000 for major repairs, based on the costs of building Pier 5 and the costs of maintenance supplies, etc.

Beattie said he likes the two-tier structure that Miller recommended. Beattie said that Caron is correct that there were transfers out of the dock fund and asked if these transfers were because of the recession or what the monies were used for. Tumberg said a portion of the monies went to payback for loans for the Sewer Fund and Capital Improvement Fund. Tumberg said monies also went to portions of loans for Piers 2, 3 and 4.

Caron said she is opposed to changing the dock rate structure and doesn't like pricing people out of our municipal docks. Fulkerson agreed.

3. 2015 BUDGET AND TAX LEVY - Continued

Miller said the City could use a marginal increase to help reduce the levy.

Beattie asked if the dock rate structure has been discussed with the Park and Recreation Commission. Wisdorf said that the Commission discussed flat rates and recommended the flat rate but may not have decided on a dollar amount. He said the Commission discussed a lower level.

Fulkerson agrees with a percentage increase but that it should be based on the various lengths of boats.

Mayor Gaylord said there are approximately 100 people waiting for a dock. Caron said there has always been about 100 people waiting and that the City cannot meet the demand. Mayor Gaylord said the system could be improved for the greater good of the City. Caron said she wants to keep the docks affordable for everyone.

Miller said that inflation is at 1.94 percent and asked Fulkerson what percentage she would support as a reasonable increase. Fulkerson said the Council would need to discuss the increase but that she doesn't think the structure should be changed.

The Council agreed on a residential dock fee increase of two percent and shifting some monies to the General Fund.

Mayor Gaylord suggested continuing this discussion at another meeting and moving on to the next topic. Luger said this item will be added to the next Council meeting.

4. ASSESSMENT POLICY

Luger said that, at the last Work Session, the Council was okay with the assessment policy methodology. Luger asked if the Council is okay with the philosophy.

Dawley provided a comparison chart of other cities for the Council. He said that there is no residential property change from 15 percent, that institutional properties are 20 percent, and it defines commercial and multi-family properties at 30 percent. On the chart, Dawley said that cities that are listed as zero percent are funded entirely out of City funds. Luger said that Elk River uses franchise fees to pay for assessments.

Miller noted that Excelsior would be at the average, but is low on the residential rates.

Luger said this provides an idea of how other cities are all over the board, but that Excelsior would be right about average.

The Council agreed with the philosophy. Luger said that staff will begin working on a timetable.

5. ADJOURNMENT

Fulkerson moved, Caron seconded, to adjourn at 7:00 p.m. Motion carried 5/0.

Respectfully submitted,

Shirley Johnson  
City Clerk