

City of Excelsior
Hennepin County, Minnesota

MINUTES
EXCELSIOR CITY COUNCIL WORK SESSION

July 20, 2015

1. CALL TO ORDER/ROLL CALL

Mayor Gaylord called the meeting to order at 6:10 p.m.

Present: Councilmembers Beattie, Caron, Miller, and Mayor Gaylord

Absent: None

Also Present: City Manager Luger, Finance Director Tumberg, Public Works Superintendent Wisdorf and City Clerk Orlofsky

2. AGENDA APPROVAL

Miller moved, Caron seconded, to approve the agenda. Motion carried 3/0.

3. 2016 Budget

Finance Director Tumberg provided a report on the 2016 Budget. Tumberg explained that the preliminary 2016 budget reflects a 2.41% or \$33,195 increase in the City's levy. When staff initially put together the draft, the levy increase was over 6%. To lessen the levy increase, staff reallocated wages and benefits according to where each employee's time is actually spent, adjusted supply and contract line items down for savings realized from sales tax exemption, reduced park patrol costs per actual costs incurred over the past number of years, removed utilities related to the 810 Excelsior Boulevard property in anticipation that those will be paid by the tenant, and increased revenue projections for line items that have consistently ended the year over their budgets during the past few years. The Consumer Price Index – All Urban Consumers for Minneapolis – St. Paul grew 1.40% from 2013 to 2014 which is less than the preliminary 2016 budget increase.

Councilmember Beattie entered the meeting at 6:14 pm.

2016 Preliminary General Fund Revenues

Major revenue changes and assumptions for the 2016 preliminary budget include:

1. Licenses & Permits – this revenue category includes an increase of \$20,575 from the 2015 budget. The majority of this increase, \$12,200, is due to additional liquor license revenues for liquor licenses that are already in place. This preliminary budget does not contemplate adding any additional liquor licenses. The remainder of the revenue increase in this category is due to increases for plumbing and mechanical permits and special event permits. All three of those categories have had a history of coming in over budget the past few years, so they have been adjusted accordingly.

2. Charges for Services – this revenue category was increased by \$4,250, primarily due to increases in parking meter revenues, zoning and subdivision fees and application process fees. These categories have consistently come in over budget at the end of the past few years, so those line items have been adjusted to be more in line with actual revenues received.
3. Fines and Forfeits – this category includes municipal court fines, forfeitures from DWI and other offenses and animal control fines. Based on the past three years’ actual figures, these categories were increased to bring them more in line with actual revenues received.
4. Rent – this category consists of water tower antenna rental and kayak rental revenue sharing from Tommy’s Kayak and Paddleboard business. Overall, this revenue category was increased by \$7,558. The bulk of this increase is attributed to the water tower antenna rental. In 2015, the Council approved the addition of a few antennas for T-Mobile, which will generate an extra \$4,200 in 2016. The antenna rental amount is also under a contract that includes a 5% price inflator per year, which has been incorporated in the preliminary 2016 budget. The kayak rental revenue line item was also increased by \$1,825 based on actual revenues received over the past few years. Staff believes this number is still a conservative estimate of what the City should receive in 2016.
5. Miscellaneous Revenue – this category includes refunds and reimbursements, insurance dividends and contributions/sponsorships for Concerts in the Park. The preliminary budget includes a decrease for the insurance dividend line item due to actual amounts in 2014 being lower than what was projected. The City hasn’t received a dividend for 2015; generally those are received in December.
6. Transfers from Other Funds – this revenue category has been decreased in the 2016 budget by \$8,400. Over the past few years, the City has been in the process of phasing out transfers from the Water, Sewer, Solid Waste, Street Lighting and Surface Water Quality Funds because expenses are being allocated directly to those funds instead of being recognized through a transfer. Allocating those expenses directly is a more accurate way to allocate costs, and eliminates the need for interfund transfers to cover any indirect costs.

2016 Preliminary General Fund Expenses

Staff has closely examined each line item and has developed a preliminary General Fund budget which results in an increase of 3.17% or \$61,351. This increase is taking into account all of the following significant changes and assumptions for 2016:

- General Wage Increases – 2.5% wage increase for all staff members. Although the union contract for 2016 has not been settled yet, a 2.5% increase has been included in the preliminary budget as a placeholder. Staff predicts the actual settlement will come in lower than 2.5%, but to be conservative, has included 2.5% for preliminary budgeting purposes.

- Staff Salary Allocations – because the City has had turnover in a few staff’s salaries are being properly allocated according to their job duties and where their time is spent. Allocations were adjusted based on current job duties and are reflected in the preliminary 2016 budget. A number of expense categories will reflect a decrease in expenses and much of that is due to the reallocation of staff salaries and benefits.
- Health Insurance Premiums – the maximum increase in health insurance premium costs is 11.5% for 2016, per the City’s contract. Preliminary indications are that the increase in premium will be at the cap for 2016. The preliminary 2016 budget includes an 11.5% increase in premium costs.

Additionally, two employees have expressed interest in possibly opting out of the City’s health insurance plan and obtaining coverage through their spouse’s place of employment instead of through the City’s plan. Although this could yield some significant cost savings to the City, staff is exploring an option to provide a stipend to those employees who have opted out of the plan. Because it is unsure whether or not a stipend will be given to those employees at this time, a stipend has been included in the preliminary budget, at an amount suggested by the City’s insurance carrier. If a stipend were offered, this is likely the amount that would be given to those employees who opt out of the City’s plan.

- Elections – there will be an election held in 2016, and it is a presidential election, so expenses were added into the preliminary 2016 budget to reflect the costs related to a presidential election. There are no major changes in expenses from prior election years.
- City Administration – this category includes city hall supplies, contracts (city attorney, real estate attorney, court prosecutor, city assessor, the General Fund portion of the City’s audit, and city hall janitorial contract), city hall utilities, Lake Minnetonka Conservation District Levy, property and liability insurance costs and website fees.

In the 2016 preliminary budget, staff has included \$40,000 to fund a special event/communications coordinator. The addition of this position is outlined in a memo from the City Manager, which is included in this packet.

Other major changes in this category include removing the negative contingency the City has had in the budget for the past two years. This item was originally included in the 2014 budget when the Minnesota Legislature decided to exclude cities from paying sales tax. At that time, the City wasn’t sure exactly how its supply categories would be affected, so instead of adjusting each category separately, it was decided to include a negative contingency amount for the estimated savings due to the sales tax exemption. Now that the exemption has been in place for a couple of years, staff is recommending removal of

the negative contingency from the 2016 budget as these savings should now be realized in each of the supply categories.

- Heritage Preservation – in the 2015 budget, there was an additional \$5,000 included in this category to fund revisions to the City’s historic preservation ordinance and preservation design manual. This is a one-time item that was included for 2015 and has been removed from the preliminary 2016 budget.
- Police Services – the South Lake Minnetonka Police Department (SLMPD) has met regarding the preliminary 2016 budget, which includes an overall increase of 3.13%. That increase includes the addition of an officer to help alleviate strain on the current staff’s workload. The City’s preliminary budget includes a 4% increase for debt service costs because that formula is based on tax capacity. Excelsior’s tax capacity has increased more than the other member cities; therefore Excelsior will be responsible for a larger portion of the debt service costs in 2016. The total increase for the police category that has been factored into the preliminary 2016 budget is \$20,727.
- Fire Services – the preliminary 2016 Excelsior Fire District budget includes a total overall increase of 2.79%, however Excelsior’s tax capacity has increased more sharply than the other member cities’ values. Because of that, Excelsior is responsible for a larger portion of the overall operating budget. Excelsior’s preliminary increase is at 4.64% or \$8,402.
- Parks – the parks budget is increasing for 2016, due to additional wage and benefit increases from the change in staff salary allocations. There are no other notable changes in the park budget for 2016.
- Recreation Programs – the 2016 preliminary budget includes a decrease in the lifeguard contract of \$1,537. In 2015, the Council approved a two-year contract for lifeguard services, so the amount included in the 2016 preliminary budget is the actual contract amount for 2016. There were no other changes made to this category for the 2016 preliminary budget.
- Transfers to Other Funds – the City has been incrementally raising the levy to prepare for the Phase III Street Project. In 2014 the levy was raised by \$29,116, and in 2015 the levy was raised again to \$65,060. The 2016 budget includes an additional \$19,940 added to the amount already set aside, bringing the levy increase for Phase III to \$85,000. If the Council wants to begin the Phase III Street Project in 2016, the 2017 levy would need to be increased approximately \$20,000 more to provide a sufficient levy to cover debt service payments on debt issued for the Phase III project.

Council discussion:

Mayor Gaylord asked if the budget reflected the Police Department budget increase of 3%. Tumberg stated that it did include the 3% increase from the Polic Department and it also includes the Fire Department increases as well.

Tumberg added that The The City's Ten Year Comprehensive Plan Review is due in 2018, so the City will need to fund it in 2016 and 2017.

Gaylord questioned if the city needed to go through The Comprehensive Plan Reveiw because the City has reached its maximum for growth and cannot expand any farther.

Luger stated she would research it but she was pretty sure the City has to go throught the Comprehensive Plan Review every ten years by law.

Caron asked why there were 2 officers in the South Lake Police Budget. Gaylord stated that it's a part of the restructuring for the Police Department. Two officers will make a huge difference during our events and critical times.

Miller added that our service levels prove that we need two officers, however; it will hurt the City's budget.

Miller asked Tumberg if the City is using gross or net tax capacity for our Police and Fire and Buildings. Tumberg stated that it is net tax capacity, but that she believes the formula is before the City's contribution to Fiscal Disparities.

Miller added that fiscal disparaties is hiting Excelsior hard now and he is worried about adding staff. He wanted staff to ask the South Lake Police Department if there was a way to work in a credit back to the City for what we pay into fiscal disparaties.

Luger explained that the Police formula will be recalculated in 2016 and they could certainly look in to that.

Gaylord stated that he would bring it up to the South Lake Police Department.

Gaylord asked Tumberg to prepare some talking points on the fiscal disparaties for his next meeting with the South Lake Police Department.

Caron added that she does not want to have an increase that exceeds 3%.

Hearing no further comments on the budget Luger went into the discussion of the Event Coordinator Position.

4. Event/Communication Coordinator Position

Luger explained the Event Coordinator position has been discussed during the 2014 and 2015 budget processes, but has not been implemented for a variety of reasons. Last year, the position was not included in the final budget because the City Council had indicated that they did not want to fund the position through the General Fund. Previously, the City had planned to fund an Event Coordinator through a potential lodging tax, but the hotel has yet to come to fruition and this position is needed now.

In 2014, the position was included in the preliminary budget, but was ultimately removed from the final budget because I wanted to see if the position was truly needed. I had speculated that the former City Clerk was overwhelmed because she had taken on tasks that were not part of her core job functions and wanted to see if a new City Clerk would be able to manage the special events because she would not have as many residual tasks.

It quickly became apparent that special events are a huge burden for the City Clerk position. At one point in time, the responsibility of managing the special events was handled by the City Clerk and the Accounting Clerk/Receptionist. When the Accounting Clerk/Receptionist position was eliminated in 2012, the City Clerk became the sole position responsible for special events. In 2012, the City also experienced a significant increase in the number of building permits, making it difficult for other administrative positions to assist with processing and managing special events.

The chart on the next page summarizes the City's staffing configuration from 2011 to 2014 along with the amount of revenue generated from special events and building permits. The chart shows that the City's building permit revenue began to skyrocket in 2012, right when the part-time position was eliminated. The amount of building permit revenue is more than four times higher than what it was in 2011, but with less staff managing the workload. Given the growing number of permits, now is the time to restore the 2011 staffing levels.

As Excelsior's popularity continues to grow, it is evident that the City needs an expert to manage Excelsior's brand with events and communications. The position I am proposing as part of the 2016 budget is an Event/Communications Coordinator. More than ever, the City is being inundated with event requests (on public and private property) and needs an expert who can manage the City's message through the website, social media, and other venues.

Here are some of the issues that staff is experiencing with special events and communications:

- Not being informed of events and having to follow-up with event organizers multiple times to get the information
- Difficulties with getting the permit and the materials from event organizers in time for the City Council meeting

- Drastic increase in the time needed to answer general event questions, guide event organizers through the process, write Council memos, and coordinate/attend public safety meetings
- Inadequate time to frequently update the website or add information about items the public is interested in, such as development updates
- Lacking the expertise to know when and how to respond to negative communications

The proposed Event/Communications Coordinator position description is still a work in progress, but at a minimum, it would be responsible for the following tasks:

- Proactively look for events so there is ample time to collect the needed information and prepare for the event
- Create relationships with the main event organizers in town and contact them periodically to see if any new events are being considered
- Educate businesses about when a special event permit is required and why it is beneficial for them to have a permit
- Contact event organizers about obtaining the proper paperwork and permit fee, if an event occurred without a permit
- Answer questions, guide event organizers through the process, write Council memos, and coordinate/attend public safety meetings
- Update the City website frequently to educate the public on timely issues and the progress of pending developments
- Attempt to control the City's message and brand by developing relationships with the media and responding to negative communications or press when appropriate
- Evaluate whether the City should manage the Excelsior, Minnesota Facebook page and start a Twitter, Instagram, or some other type of social media account to be more proactive with communication

Based on the City of Stillwater's experience, staff is budgeting \$40,000 for this position; however, the position may be less expensive if it is shared. Some of the businesses have also struggled with managing the number of special event requests, while maintaining their primary business. Other businesses would like to see more special events, but do not have the resources to market their venue. I have talked to a couple of businesses (Pique Travel and The Commons Workplace) about the idea of sharing an event person and they are intrigued by the concept.

This shared position could be a one-stop shop for anyone who is interested in having an event in Excelsior. This person would be responsible for showing the various event spaces, obtaining the proper permits, and handling all aspects of the event coordination. This concept is very new, but is something the businesses are interested in exploring if the City Council wants to look more into it.

COUNCIL DISCUSSION:

Gaylord asked if we thought about sharing a person with Shorewood. Luger said it's not included in this summary and added that she would investigate that if Council wished.

Miller likes this position he thinks it will help improve the quality and quantity of events and he'd like staff to research this further.

6. ADJOURNMENT

Beattie moved, Caron seconded, to adjourn at 6:57p.m. Motion carried 4/0.

Respectfully submitted,

Ann Orlofsky
City Clerk