

**CITY OF EXCELSIOR  
Hennepin County, Minnesota**

**MINUTES**

**Special City Council Meeting  
Monday, November 29, 2010  
7:00 p.m.**

**1. Call to Order/Roll Call**

Mayor Ruehl called the meeting to order at 7:06 p.m. Councilmembers present: Fulkerson, Miller, and Mayor Ruehl. Councilmembers absent: Berghorst and Caron. Also present: City Manager Luger, Finance Director Carlson, Public Works Superintendent Wisdorf, and City Clerk Johnson.

**2. Approval of Agenda**

Fulkerson moved, Miller seconded, to approve the Agenda as presented. The vote on the motion was 3/0.

**3. 2011 Budget and Tax Levy**

**a. Presentation of 2011 Budget & Tax Levy – Finance Director Carlson**

Carlson said that at the September 7, 2010 Council meeting, the City Council adopted a resolution to set the preliminary tax levy at 5%. After several meetings on the budget and much discussion, the Council decided to reduce the tax levy to 2%.

Carlson presented the 2011 General Fund Budget. The information had the 2008 Actual, 2009 Actual, 2010 Adopted Budget, 2010 Year-to-Date, 2011 Proposed Budget, and a comparison between the 2010 Adopted Budget and 2011 Proposed Budget in dollars and percentages. Carlson said that the property tax levy is proposed to increase 2% or \$25,830 for 2011, and expenditures are proposed to increase \$117,455. To keep the tax levy increase to 2%, the Council agreed to use \$13,173 of the General Fund balance to make up the additional dollars needed to balance the budget. She noted that with the use of Fund balance, the projected General Fund balance at 2011 year end is projected to be within accepted levels.

Mayor Ruehl said that the Council worked with the 5% tax levy increase in an attempt to restore some of the items that had been cut from previous budgets. Due to the current economy, the Council looked through all of the line items, cutting some items as little as \$250 to get the tax levy down to a 3% increase. When the Council whittled the tax levy down to a 3% increase, it agreed to use 1% of the Fund Balance to bring the tax levy down to 2%. He noted that the General Fund balance is estimated to be at 53% by 2011 year end, so the City would still be able to maintain their practice of keeping the Fund Balance between 45% to 50%. There might be some other items that could be considered discretionary, such as lifeguard services, but the Council wasn't willing to cut anything further.

**3. 2011 Budget and Tax Levy**

**a. Presentation of 2011 Budget & Tax Levy – Finance Director Carlson – (Continued)**

Mayor Ruehl said that there have been some items cut over the past few years that the City would like to restore. He noted that a 1% change in the levy only nets the City \$13,173, which does not allow the City to restore any of these items quickly. Property owners need to understand that the City is not spending money foolishly. It is not easy to cut further at the local level without losing services.

Fulkerson asked what date the 2010 expenditures year-to-date goes through. Carlson said it reflects expenditures through November 19, 2010.

Miller said property owners need to realize that the City is getting away from their dependency on Local Government Aid (LGA). The City has also had significant expenditures, especially for the street project. He was pleasantly surprised that the City is able to get the tax levy down to 2% and still maintain fund balance and reserves.

Mayor Ruehl said the City experienced a total loss of LGA and Market Value Homestead Credit (MVHC) that is equivalent to 10.5% of the City's tax levy. Over the past two years, the budget has been shaped so the City has minimized the impact of the loss of LGA and MVHC. This could not have been accomplished without the loss of some City services and the agreement from City staff to keep salaries at a 0% increase last year. He said the budget proposed for 2011 reflects a small increase going forward.

Carlson reviewed the major changes for 2011 in revenues and expenditures. Mayor Ruehl noted that the increase for police services is larger because they have experienced cuts in aid that they've received previously.

Carlson reviewed charts showing a comparison in revenues between the 2010 and 2011 budgets. Carlson reviewed a chart comparing the General Fund expenditures between 2010 and 2011. She noted that the increase in the Park and Recreation Department is for the new part-time Public Works employee.

Carlson explained how the City's tax rate capacity is calculated. She said that the City's tax rate has increased because the City's personal property values have decreased.

Mayor Ruehl said that his property value was one of the few that increased a small amount. His notice reflected a 19% increase for City taxes. He said if someone's property value stayed at the same amount and everyone else's

**3. 2011 Budget and Tax Levy**

**a. Presentation of 2011 Budget & Tax Levy – Finance Director Carlson – (Continued)**

values went down, that property's share of the taxes will be at a higher percentage. Carlson said that the tax levy is proposed to increase 2%, but the City's property values or tax capacity decreased 10%. The City's portion of the money must be divided among all properties and with the property values decreasing, properties will see an increase in their taxes.

Miller said that when the tax capacity goes down it forces the tax rate to increase. The City's assessor has said that there is a lag time for property values to catch up. Miller said that residential values have gone down at a higher rate than commercial, so a larger portion of the taxes are still being paid by the commercial properties.

Carlson showed how the taxes are calculated for residential properties. Carlson then showed how every tax dollar is divided among the different government entities and how the money is divided among the departments within the City. Carlson showed a comparison of selected cities from the League of Minnesota Cities. This chart showed the average tax rate, LGA received, net levy, population, tax per \$100,000 of property value, and the tax per capita was for each of the cities.

**b. Public Questions and Comments**

John Olson, 1 Third Street, said he appreciates the work that the Council has done to keep costs down. He asked who he would talk to about his property value. Mayor Ruehl said that at the end of February or first part of March he would receive a statement from the County with his proposed property valuation for 2011. He could contact the City Assessor now or when he receives his statement next year. Mayor Ruehl said that the Council conducts a Board of Review in the beginning of April where property owners can contest their proposed property valuation.

Chris Dillman, Sun Sailor Newspapers, asked why the chart for General Fund expenditures shows Public Safety decreasing from 44% to 41% when the police budget increased. Luger and Carlson stated that the distribution changed with the addition of LGA. If the LGA was taken out, it would show differently.

**c. Council Direction**

The Council directed staff to prepare the budget as currently proposed with the 2% tax levy increase, and place the 2011 Budget and Tax Levy on the Council's December 6, 2010 meeting agenda for approval.

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**4. Adjournment**

Miller moved, Fulkerson seconded, to adjourn the meeting at 7:49 p.m.  
Motion carried 3/0.

Respectfully submitted,

Cheri Johnson  
City Clerk