

CITY OF EXCELSIOR
Hennepin County, Minnesota

MINUTES

City Council Work Session

Monday, March 18, 2013

1. Call to Order/Roll Call

Mayor Gaylord called the meeting to order at 6:07 p.m.

Councilmembers present: Beattie, Fulkerson, Miller, and Mayor Gaylord

Councilmembers Absent: Caron

Also Present: City Manager Luger, Finance Officer Tumberg,
City Engineer Dawley (arrived at 6:34 p.m.),
Public Works Superintendent Wisdorf, and City
Clerk Johnson

2. Agenda Approval

Miller moved, Beattie seconded, to approve the agenda. Motion carried 4/0.

3. Long Term Financial Plan

Tumberg said that at the March 4th Council Work Session, the Council discussed the Long Term Financial Plan (LTFP) and what capital projects to include in the LTFP. The Council also requested that their goals be incorporated into the LTFP.

Tumberg reviewed the changes that have been incorporated into the LTFP since the March 4th Work Session. She noted that the cemetery improvements were added in 2014. Options for the future of the City Hall/Library space will be discussed later in the meeting. Upgrades to parking meters and improvements to the residential and commercial docks can be added if the Council identifies which year in the LTFP to include these items.

Tumberg distributed a draft of the Economic Synopsis which is part 1 of 5 of the LTFP and discusses national, state, county, and local economic conditions and their effect on Excelsior. She noted that the City had received the taxable market values at the end of last week that show about a 2.16% increase in the values from 2012.

Fulkerson asked why the market value was higher than the taxable market value. Tumberg said that there are items, such as the homestead exclusion, that exempts a portion of the market value.

3. Long Term Financial Plan – (Continued)

Fulkerson asked if the taxable market values were included in the LTFP. Tumberg said no, the information was received after the LTFP was put together for the Council's meeting, but will be incorporated in the LTFP.

Tumberg said that at the March 4th Work Session, the Council had also requested scenarios to consider with respect to the timing of Phase III of the Pavement Management Plan.

Tumberg reviewed four options for the Council to consider. Option 1 would be to construct Phase III and reconfigure the five corner intersection in 2015; this would require an increase to the levy of \$165,000 by 2016 to pay for the debt associated with this project. Option 2 would be to delay the work until 2016 and increase the levy \$165,000 by 2017 to pay for the debt associated with this project. Options 3 and 4 would be for the construction of Phase III without the reconfiguration of five corners. If Phase III was completed in 2015, the levy would need to be increased \$80,000 by 2016 to pay for the debt associated with this project. If Phase III was completed in 2016, the levy would need to be increased by \$80,000 by 2017.

The Council and staff discussed the scenarios for completing Phase III and the reconfiguration of the five corner intersection. Tumberg said she would recommend that the Council gradually phase in the increase in the tax levy over the next couple of years to cover the debt service payments rather than increase the levy all in one year. She noted that when she created the scenarios all other costs were kept constant.

Beattie said if the taxable market values continue to increase it may help reduce the percentage that the tax levy would need to be increased.

The Council discussed that the City would need to bond to be able to pay for the Phase III street project and the five corner intersection. Tumberg estimated that the bond would need to be about \$2.5 million to cover all of the costs.

Fulkerson asked if the scenarios included all of the bond issuance costs. Tumberg said no, but she did factor in a 4% interest rate for the bonds in case bonding rates increase. Currently bonds rates are around 2.5%, which is low.

Mayor Gaylord asked if the costs were in line with what the City bonded for Phase I of the Pavement Management Plan. Tumberg said yes.

Miller said there should be grants available for the five corner reconfiguration. The reconfiguration would be a great benefit to the community, however it won't be possible for the City to do the work if it isn't

3. Long Term Financial Plan – (Continued)

successful in securing grants; the City can't afford to pay the full \$1.15 million cost to do the intersection.

Mayor Gaylord said that the City should keep Phase III on the radar and pursue it. Miller said he couldn't support a 3% annual increase in the tax levy for the debt service.

Luger said that the Council will be seeing a request from WSB & Associates in May or June to conduct a feasibility study for the five corner intersection to get accurate data to present to MN/Dot and Hennepin County. Both entities looked favorably on the five corner intersection project, but needed the data to support the request for funding.

Beattie asked if the City would assess any of the adjacent properties for the reconstruction of the five corner intersection. Staff said possibly.

Beattie asked if the legislation that is being proposed to increase LGA will benefit Excelsior. Luger said that the City doesn't meet the criteria, so it will not receive any LGA under the new formula.

Tumberg said that C.P.I. is a good factor to use when the City is looking at an appropriate percentage for increasing the levy each year. She noted that the economic forecast shows an annual increase over the next few years, which makes the levy increase more justifiable.

Miller asked if the City is able to get grant funding for the five corner intersection, what is a reasonable estimate to use? Dawley said he would need more time to look at this, but it is possible that it could cover as much as 80% of the costs.

Mayor Gaylord suggested keeping the reconfiguration of the five corner intersection in the plan and placing a rough estimate in the LTFP of what the City's cost might be if it received grant funding. Tumberg said she would suggest showing the gross cost in the LTFP with a column showing the granting funding and then put the full detail in the narrative that supports the LTFP.

Tumberg asked the Council if they wanted to see Phase III and the five corner intersection in year 2015 or 2016 of the LTFP. The Council agreed to put Phase III and the five corner intersection in 2016 to keep the levy increase under 3% per year.

Tumberg said that the next step is for her to put all of these items into the LTFP and show the funding sources for each.

3. Long Term Financial Plan – (Continued)

Miller suggested that the increase in tax capacity be shown on the LTFP and that the tax levy is tied to the estimated C.P.I.

Tumberg said that the Council also requested options for the future City Hall/Library at the March 4th Work Session. Staff has identified three options. Option 1 would be to make minimal improvements to turn the Library space into the City Council Chambers. The estimated cost for the improvements would be \$15,000 and the estimated useful life would be 5 years. Option 2 would be to make enhanced improvements to the current City offices and the Library space for the Council Chambers. The estimated cost for these improvements is \$220,000 and the estimated useful life would be 10 years. Option 3 would be to make major improvements or build a new City Hall. The estimated cost for this option would be \$1.5 million and the estimated useful life would be 30-50 years.

Beattie asked if Option 3 includes moving to another site and redeveloping this site. Luger said no, this assumes a new facility on property that the City already owns.

Miller asked if Option 2 includes moving all of the City offices to the Library space. Luger said the cost estimated was for moving the Council Chambers into the Library space, but staff could research whether it is possible to move the City offices into the space.

Wisdorf said that it might be difficult to put all of the offices and Council Chambers into the Library space with the way the space is currently configured.

Miller said that he prefers Option 2, but he would like to see everything moved over into the current Library space.

Mayor Gaylord said that the City could then have a private/public partnership with the current City Hall/Council Chamber areas of the building. Miller said yes, the City could lease the rest of the building out to someone.

Mayor Gaylord said that the City needs to look at this a little closer. Miller said the City should at least include Option 2 in the LTFP to see how it would look in the model.

Mayor Gaylord said that the City does not need to include this in the LTFP now. The City could explore the options and put a placeholder in the LTFP for the future.

Beattie said that if the City offices are going to be added to the Library space, the cost estimate should be increased to allow for that. Miller said that the rent that the City would receive should also be included in the LTFP.

3. Long Term Financial Plan – (Continued)

Luger said the underlying question that needs to be addressed is how long the Council thinks the City Hall should stay in this facility.

4. Adjournment

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

Respectfully submitted,

Cheri Johnson
City Clerk