

December 1, 2009

A regular meeting of the Scandia City Council was held on the above date. Mayor Seefeldt called the meeting to order at 6:32 p.m. Following the Pledge of Allegiance, roll call was taken. The following council members were present: Council members Connie Amos, Pete Crum, John Lindell, Dolores Peterson and Mayor Dennis Seefeldt. Staff present: Administrator Anne Hurlburt, City Attorney Dave Hebert, Building/Code Enforcement Official Steve Thorp, Treasurer Colleen Firkus, Deputy Clerk Brenda Eklund.

APPROVAL OF AGENDA

Crum, seconded by Amos, moved to approve the agenda as presented. The motion passed unanimously.

PUBLIC HEARING – 2010 BUDGET AND TAX LEVY

A public meeting was held for review of the draft 2010 budget and the preliminary maximum levy that was set in September. City Assessor Frank Langer was present to answer any questions residents had concerning their property tax notices.

City Administrator Anne Hurlburt presented an overview of the draft 2010 budget and an analysis of the year-to-date 2009 budget data. The city will end the year with revenues approximately \$175,000 less than budget. The unallotments of state aid in 2009 contributed to the majority of this shortfall. However, spending reductions and delays during the year more than offset the loss of revenue. The city will add approximately \$90,000 to fund balances to cover cash flow and unexpected expenses, as recommended by the auditors.

Proposed spending of \$2,626,433 in 2010 is 4.8% higher than the 2009 budget. The general fund reflects an increase in expenses attributed to the Zavoral Project EIS. These costs will be fully reimbursed by the project applicant. Without the EIS expenses, general fund spending would be 2.17% less than the 2009 budget.

City Administrator Hurlburt explained the factors which determined budget projections. Wages will not increase in 2010. Insurance and pension costs have increased faster than inflation. Contractual road maintenance will be increased to align with the Pavement Management Plan. Completion of the fire rescue truck replacement, an expense of the Equipment Replacement Fund, will be funded through the issuance of equipment certificates. Debt service would begin in 2011. Capital projects also include a salt/sand storage shelter, a meeting/office space study, replacement of the ditch mower, Community Center flooring replacement and improvements to Wind in the Pines Park. A dedicated fund, collected by developer park fees, provides for the \$12,000 expense proposed for Wind in the Pines.

Revenue in 2010 from all sources and funds is proposed to be \$2,695,606. This includes reimbursement for Tiller Corporation's EIS project, borrowing, and special levies for MVHCA unallotments. Based on the draft budget and subject to final determination by the Minnesota Department of Revenue, Scandia's maximum property tax levy for 2010 is estimated to be \$1,928,647. This is a 3.64% increase over 2009. This may change based on the final levy limit determination and the final budget.

The impact of the proposed levy increase on Scandia taxpayers computes to a local tax rate of 28.276%, a 0.85% reduction from 2009. The city gained tax base from the Metropolitan area Fiscal Disparities Pool and through a slight increase in local taxable property value. An explanation of how the rate is determined and how a tax bill is calculated was covered. In all, the tax rate is a product of the tax levy.

Mayor Seefeldt opened the public hearing.

Greg Zauner questioned if property tax increases on a number of parcels were offset by those parcels in which value was lowered. *City Administrator Hurlburt*: Yes, the average change in taxable market value per parcel was essentially 0%.

Cliff Guggisberg inquired how foreclosure sales affect taxes. *City Assessor Langer*: The state does not recognize foreclosure transactions in which the property sells at a significantly lower cost than what the property is valued. There are a number of transactions which are excluded from being considered arm's length sales and not calculated into sales assessment ratios. The taxes collected are based on the assessed value.

Keith Hawkinson questioned the homestead issue on property classification, and asked how the tax levy amount is determined. City Assessor Langer explained the homestead issue. City Administrator Hurlburt described how the levy is determined as an amount needed to balance the budget, within levy limits established by the state.

Cliff Guggisberg spoke of a township in southern Minnesota which levies a fraction of Scandia's amount. Council explained that the needs and services provided by the City are not a match for a township government with a small population and few expenses.

Ernie Kertzsch asked about the proposed \$12,000 budget for improvements to Wind in the Pines Park. Mayor Seefeldt stated that funds for park improvements are collected from developers as park fees and can only be used for this purpose. The 2009 year-end balance in the Parks Capital Improvements Fund totals \$21,868.

As there were no further comments, Mayor Seefeldt closed the hearing.

Council member Lindell asked for clarification of the \$90,000 amount which will be added to fund balances at the end of 2009. City Administrator Hurlburt explained that every revenue source was less than budget, with over \$100,000 as a loss of state revenue due to unallotments. Spending and expenses were reduced by \$265,000 during the year, resulting in a net of \$90,000.

Council member Lindell questioned the special levy for wages and benefits of police and fire personnel. City Administrator Hurlburt explained that certain expenditures, including this cost, are not subject to the levy limit. The sheriff's contract is increased through union terms which the city does not control. An increase in wages for the fire department is necessary as the hours worked in 2009 greatly exceeded the budget. There has been no rate of pay increase.

Council member Lindell suggested that he would like to see the tax rate measured per capita or household in next year's data as he feels this would be a more valuable measure.

The final budget and levy will be adopted at the regular Council meeting on December 15. The final tax levy must be certified to the County Auditor by December 28, 2009.

TOBACCO PRODUCT SALES LICENSE FOR TODD'S HOME CENTER

Todd Cunningham has applied for a Tobacco Sales License for his business for the year 2010. The applicant meets all the requirements of Ordinance No. 92. **Peterson, seconded by Seefeldt, moved to approve the Tobacco Product Sales License for Todd's Home Center. The motion passed unanimously.**

Peterson, seconded by Amos, moved to adjourn. The motion passed unanimously.

The meeting adjourned at 7:30 p.m.

Respectfully submitted,

Brenda Eklund
Deputy Clerk