

December 10, 2013

A Special Meeting of the City Council was held on the above date. The purpose of the meeting was to hold the public hearing on the 2014 budget and tax levy. Mayor Simonson called the meeting to order at 6:30 p.m. The following were in attendance: Mayor Randall Simonson, Council members Dan Lee, Chris Ness, Jim Schneider and Sally Swanson. Staff present: City Administrator Kristina Handt, Director of Public Works Tim Kieffer and Deputy Clerk Brenda Eklund.

### **APPROVAL OF THE AGENDA**

**Lee, seconded by Ness, moved to approve the agenda as presented. The motion carried 5-0.**

### **PUBLIC HEARING ON 2014 BUDGET AND TAX LEVY**

Administrator Handt presented an overview of the 2014 budget and tax levy. The Council met in a series of budget work sessions beginning in August and set the maximum tax levy at 0% on September 10<sup>th</sup>. The levy cannot be increased from this point but could be decreased. A total levy of \$2,171,074 is proposed.

New for 2014 is the Local Road Improvement Fund. This capital fund will segregate funds specifically for mill and overlays, reconstruction or new construction of streets. Revenue to this account will include transfers from the fund balance above the 50% amount in the general fund as required by City fund balance policy, future tax levy dollars, and assessment or franchise fees. This amounts to a \$200,000 transfer from the general fund excess and \$127,000 from the tax levy for a beginning balance of \$327,000 in 2014. Seal coating, crack filling and patching will continue to be funded in the general fund.

The Economic Development Authority Fund is also newly established in 2014 with a funding level of \$1,000.

Handt explained the sales tax exemption for cities which goes into effect in 2014. It's estimated that a savings of approximately \$21,500 will allow departments to purchase supplies and cover step increases throughout the year. The Fire Department is anticipated to offer a 2% wage increase to volunteer firefighters. Handt explained that the sales tax savings will not be specifically dedicated to one expenditure, but to overall needs across departments.

Handt noted that there is a slight decrease in spending in most departments in 2014 but with no cut in services. This will bring the budgeted expenditures more in line with actual spending history. Staff will closely watch budgeted numbers and will be working with less of a cushion as in past years. A full-time maintenance position is proposed for staffing in 2014 and eliminating the seasonal part-time position in public works.

The Debt Service Fund is nearly 5% lower in 2014 than in 2013 due partial prepayment of the Firehall/Public Works building bond combined with the issuance of the new 2013 equipment certificate for the new fire truck and dump truck/snowplow.

Purchases from the Capital Improvement Fund include \$12,500 for an electronic data storage system; \$36,000 for a portable backup generator for use by the fire department and public works/sewer; and \$20,000 towards improvements at Log House Landing. The Landing improvements are dependent on the possible DNR grant and the Watershed cost sharing. A transfer of \$100,000 to the Equipment Replacement Fund is planned, but no expenditures in 2014 are proposed.

Property taxes are the largest revenue source. Revenue from the sand and gravel tax is proposed to be \$21,802 in 2014, dedicated to the public works budget.

Handt showed a comparison to last year's breakdown of the tax levy to illustrate the 2014 lowered funding to the general fund by nearly \$100,000 and an increased level to the capital fund, which emphasized the city's prioritization of road improvements.

Handt reported that tax values of homestead properties in Scandia show a decrease in value of 9.8% compared to 2013, with a small number having a slight increase. Commercial properties show no change in values, but an increase in property taxes due to the shift to commercial properties taking on the tax burden. Handt explained this is the effect of the tax system in Minnesota.

Mayor Simonson opened the public hearing at 6:52 p.m.

Rod Negus questioned his tax valuation and stated that he is seeing a 2.4% value increase resulting in a 13% increase in his property taxes. Handt explained that his was one of the few properties to show an increase in tax valuation. Council member Lee asked if he had talked to City Assessor Frank Langer. Negus said he had and was told the road improvements done on Melanie Trail affected the value. Negus was told to watch his property valuation statement he will receive in March and to contact the assessor if he thinks it should be adjusted.

There were no other questions or comments and Mayor Simonson closed the hearing at 7:01 p.m.

Council member Lee stated that property taxes should be lower for residents, but Handt explained that the city is powerless to control values. In order to lower property taxes, the budget would have to be cut. There are many needs in the community and Handt questioned what could be cut from the budget. Handt explained the importance of funding the road improvement fund to gradually save for a large one-time expenditure to a road project. Council member Swanson stated that residents were under the impression that this was being done over the years.

Simonson stated that he was pleased with the budget and ready for the process to proceed ahead.

Council member Ness agreed that they had done an excellent job on the 2014 budget.

Council member Schneider stated that there were items in the budget that are what they are, but that he was pleased with the 0% levy increase and Handt did a good job.

Council member Swanson stated that it was a clear presentation and made known the money being dedicated to roads.

Mayor Simonson announced that the final adoption of the budget and tax levy is scheduled for the next regular Council meeting on December 17, 2013 at 7:00 p.m.

**ADJOURNMENT**

**Ness, seconded by Swanson, moved to adjourn the meeting. The motion carried 5-0.**

The meeting adjourned at 7:11 p.m.

Respectfully submitted,

Brenda Eklund  
Deputy Clerk