



**City of Blaine  
Anoka County, Minnesota  
Minutes - Final**

10801 Town Square Dr.  
Blaine MN 55449

**City Council Workshop**

*\*While this is a public meeting where interested persons are welcome to attend, it is a work session for Council and staff to discuss issues before them. It is not for the purpose of receiving public input.*

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Thursday, April 12, 2012

6:30 PM

Cloverleaf Farm Room A

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**Meeting No. 12-23**

The meeting was called to order by Mayor Ryan at 6:30 p.m. Quorum Present.

**ALSO PRESENT:** Clark Arneson, City Manager; Pat Sweeney, City Attorney; Bob Therres, Public Services Manager; Bryan Schafer, Community Development Director; Joe Huss, Finance Director; Ward Brown, Fiscal Analyst; Chris Olson, Safety Service Manager/Police Chief; Roark Haver, Communications Technician; Al Thorp, Senior Engineering Technician; Jane Cross, City Clerk; and Recording Secretary Linda Dahlquist.

**Present:** 6 - Councilmember Clark, Councilmember Kolb, Councilmember Bourke, Councilmember Herbst, Mayor Ryan, and Councilmember Hovland

**Absent:** 1 - Councilmember Swanson

**NOTICE OF WORKSHOP MEETING**

1. [WS 12-19](#)

**GENERAL FUND: 2011 FINANCIAL SUMMARY & 2013  
BUDGET INTRODUCTION**

**Sponsors:** Huss

Finance Director Huss stated the City's 2011 General Fund's positive financial performance was due to a combination of under-spending across all departments and better performing revenue categories. He stated the General Fund's reserve increased in excess of \$1 million dollars, which brought the General Fund's reserve to just under \$11 million dollars, and allows the maintenance of required cash flow and contingency reserves, while funding 2012 capital items. He stated these items, along with the 2011 labor agreement commitments and the 2012 budget drawdown, resulted in the General Fund with nearly \$1.1 million dollars in unrestricted and uncommitted reserves.

Councilmember Herbst confirmed the funds are unrestricted. Finance Director Huss replied yes, the funds are unrestricted.

Finance Director Huss stated as the first quarter ends, the Finance Department is starting the 2013 budget process with the preliminary gathering and analysis of tax base and property valuation information. He stated information received from Anoka County shows taxable property values in Blaine have declined by 9% which will make the 2013 budget process challenging. He stated existing residential property values declined by just over 11% and Blaine's tax capacity, which includes TIF districts and the Fiscal Disparities program, also shows decline. He noted there are three TIF districts scheduled for decertification at the end of 2012. He stated with a tax base decline of just over 7%, a levy equal to the 2012 levy would yield a tax rate of 36.6% compared to a rate of 33.6% for 2012. He stated that with no change in the tax levy, residential properties experiencing an 11% decline in value would see their City property taxes drop 3-6% and C/I properties experiencing a 9% decline in value would see their City property taxes drop about 1%. He stated a constant-dollar levy indicates a zero-sum scenario and the declines that average properties experience would be offset by those properties that experience a lesser decline or an increase in value. Finance Director Huss asked the Council for input on what scenario the Finance Department should develop.

Councilmember Herbst confirmed that the net taxable value decline in the City was \$400 million dollars. Finance Director Huss replied yes and that included an offset from new growth. He commented the County Assessor believes the housing market has hit bottom, although the process of foreclosures has slowed and there is a backlog of foreclosures. He stated a sale under distress is not included as a comparable sale, it still determines a value of what people are paying for other properties.

Mayor Ryan stated he was surprised with the percentages especially Andover's. Finance Director Huss replied the declines are throughout the metro area.

Councilmember Clark commented the housing market did not improve significantly over the last two years, which means tax values will take another two years to turn around.

Finance Director Huss stated the City is committed to a level of service. He stated there are three ways to balance a budget increase tax, decrease in expenditures or a combination of both.

Councilmember Herbst asked about Blaine's numbers compared to Andover. City Manager Arneson stated Andover and Oak Grove took their hits in 2010.

Mayor Ryan asked where the county is getting their numbers. Finance Director Huss replied short sales or any distress sales have an effect on what others will pay for a home. He stated people are getting more home for their

dollar. He commented Columbia Heights' value was not high to start and their loss is listed at 16%. He stated if the property is losing value, the new market value exclusion will be higher.

Mayor Ryan stated the City's services need to be maintained. Finance Director Huss stated part of the 2011 surplus was from a reduced amount of snowplowing. Councilmember Bourke asked about the savings to the City. Public Services Manager Therres replied there were three times the City had to plow which saved the City approximately \$100,000 in 2011.

Councilmember Kolb stated the City will be conducting a residential survey and service questions need to be pointed. Councilmember Clark stated the survey questions should have a 1, 2, 3 rating on how important the service is to the residents and how happy are the residents with the service. Councilmember Bourke agreed a range would be useful.

Councilmember Clark stated the survey results will be used for budgeting. He stated the City's spending needs to be reduced.

Councilmember Kolb suggested negotiating park use with other cities. Councilmember Clark suggested using the schools' fields. Councilmember Kolb stated her school's fields are booked the entire summer.

Councilmember Bourke stated the budget needs to be even further than 2012 and use some of the undedicated funds. He stated he does not want to raise taxes.

Mayor Ryan asked about the amount of unrestricted funds that were budgeted for use in 2012. Finance Director Huss replied approximately \$650,000 in unrestricted funds.

City Manager Arneson suggested the Finance Department develop two budgets for the Council to view: a service as is budget and a specified percentage cut budget. Councilmember Bourke agreed that a certain percentage cut budget would be good.

Councilmember Clark suggested the Finance Department develop budget cut scenarios of 3%, 5% and 10%. He also suggested starting with a zero based budget and build up each department individually. City Manager Arneson stated it would be extremely time consuming for the staff and the Council to build up the budgets of Public Works, Police and Fire.

Mayor Ryan questioned which budgets could be cut by 3-10%. Councilmember Clark replied he is referring to cutting the budgetary policy.

Councilmember Bourke stated a 3% budget cut across the board may not work for all departments. He stated Public Works is a big part of the budget

and a build-up budget may be helpful. City Manager Arneson reiterated the areas that have the largest expense are public safety and public services.

Mayor Ryan commented the City has already made cuts, reduced staff hours, and pushed services into other departments; there is nothing left to move or cut.

Councilmember Clark questioned the total budget number and how much is personnel salary and benefits. Finance Director Huss replied 68% of the budget is personnel expenses. Councilmember Clark commented the City may need to cut 20% discretionary spending if we were not going to address personnel.

Finance Director Huss stated when the City cuts costs; it equals laying off people and cutting programs/services. He commented the City cannot afford to cut the budget further and maintain the established level of service. He stated if the Council does not do anything to the levy, the City's property taxes would not increase.

Councilmember Bourke stated the City will need to use the unrestricted reserves.

Councilmember Kolb commented over used fields will cost the City more to bring them back. She asked if there are other revenue sources like facilities, billboards or renting the third floor of City Hall to generate income.

Councilmember Hovland suggested charging fees for programs like the Citizen's Academy or discontinue programs if it cost the City money.

Councilmember Herbst asked about the rate increase for 2011. Finance Director Huss replied there was no increase for 2011 and a 1.5 increase for 2010. He suggested providing services to surrounding cities. Councilmember Clark suggested fire protection.

Councilmember Hovland suggested the Council revisit the City doing its own assessing.

Councilmember Clark suggested taking half of the unrestricted funds generated in 2011 be split between 2013 and 2014 and not raising the rate. Finance Director Huss confirmed that the levy rate would stay the same as 2012.

City Manager Arneson stated \$1 million dollars needs to be trimmed from the City's 2013 budget.

Councilmember Hovland asked about new business coming into the City.

City Manager Arneson stated for tax purposes the new business would have to come online before January.

Councilmember Clark confirmed that if new business comes online in 2013, it would not be realized until 2014.

Councilmember Hovland commented there may be more housing by 2014.

Councilmember Clark suggested planning for 2013-2014 budget and an assumption for 2014 with a 4% drop in property values. Finance Director Huss concurred and noted it is easier to come back from an assumption that assumes larger value declines rather than smaller declines.

City Manager Arneson replied a reduction in service is not an option because positions would have to be backfilled. Councilmember Hovland stated the backfilled positions would be hired at a lower rate.

Mayor Ryan asked how effective were the cuts. City Manager Arneson stated the City is in lockdown mode on expenses and maintenance has been deferred.

Councilmember Herbst stated if the City has a banner year with new housing, how will it help the City with unrestricted funds. Finance Director Huss replied caution is needed when assumptions are aligned with peak.

Councilmember Herbst stated the budgeting process has started earlier and will give the Council more time to configure. He commented services need to continue.

Councilmember Herbst left the room at 7:27 p.m. and returned at 7:30 p.m.

Finance Director Huss stated the next budget discussion is scheduled for a workshop in May.

Councilmember Clark asked if there are things that the staff is doing that can be delayed. City Manager Arneson replied nothing comes to mind at the moment.

#### **Discussed**

## **2. [WS 12-20](#)**

### **FUNDING PARK IMPROVEMENTS THROUGH USE OF CAPITAL IMPROVEMENT FUND**

**Sponsors:** Huss

**Attachments:** [LAC, Aquatore Funding Proposal](#)

Finance Director Huss stated at the Council retreat discussion on using the City's Capital Improvement Fund (CIF) to fund a portion of the costs for acquisition and improvement of the Lexington Athletic Complex (LAC) and various improvements at Aquatore Park. He stated a proposed funding plan has three sources: Park Development Fund, CIF and the Water and Sewer Utility fund. He stated the borrowing from the utility funds would be structured as an internal loan with interest paid based upon the City's weighted average rate of return on its investment portfolio. He stated a public hearing is scheduled for April 19.

Mayor Ryan asked what the funding will do to the rest of the parks. Finance Director Huss replied it pushes out improvements of other parks.

Mayor Ryan stated it will be six to seven years for more money to go into the park fund. Finance Director Huss replied park dedication funds will not be realized until 2016. He stated the lowest point is anticipated for 2019.

Finance Director Huss commented this is a large multi-use facility that will have maintenance costs and will need staff. Councilmember Clark commented a user fee may be necessary.

Community Development Director Schafer stated maintenance would not be until 2014. Public Services Manager Therres stated the associations are already planning their use of the facility.

Councilmember Kolb stated as the City ages a user fee may be necessary. Councilmember Herbst suggested Blaine residents are free and others have to pay a user fee.

Councilmember Clark asked how many more parks will be built in the future. Public Services Manager Therres replied approximately six more parks.

Councilmember Hovland commented some parks are not being used. He suggested eliminating some parks.

Councilmember Kolb stated parks provide needed green space. She questioned some of the park's locations.

Councilmember Bourke asked about upcoming new parks. Finance Director Huss replied there is one park to be built in 2016 and he agreed a usage fee would help to pay for the parks maintenance. He stated the neighborhood parks do not generate income.

Councilmember Bourke asked about the billboard money going to the EDA. Finance Director Huss stated income from billboards is approximately \$120,000 a year.

Councilmember Clark commented that park staff is doing scheduling work for the athletic associations and their time is not charged back to the associations. He suggested an online system for scheduling field time be created or charge back staff time.

**Discussed**

## **OTHER BUSINESS**

City Manager Arneson suggested postponing the April 23, 2012 meeting with Anoka County Board due to Councilmembers Hovland and Swanson being out of town. The Council's consensus was to keep the meeting on April 23, 2012.

Finance Director Huss commented charitable gambling was up in 2011.

Discussion took place on the sewer backup of Transfer Lift Station 13. It was noted that the City's insurance carrier will do an investigation to see if the City or the manufacturer is responsible.

Councilmember Clark asked about an ordinance on feeding wild animals. City Manager Arneson replied there is currently no City ordinance.

Councilmember Herbst commented the City's kennel license does not cover rescue dogs.

## **ADJOURN**

**The Workshop adjourned at 8:00 p.m.**