

CITY OF BLAINE
ANOKA COUNTY, MINNESOTA
CITY COUNCIL WORKSHOP
Wednesday, September 9, 2020

6:00 p.m.
City Council Chambers
10801 Town Square Drive

CALL TO ORDER

The meeting was called to order by Mayor Ryan at 6:00 p.m. Due to the COVID-19 pandemic this hybrid meeting was held both virtually and in person.

ROLL CALL

PRESENT: Mayor Tom Ryan, Councilmembers Wes Hovland, Julie Jeppson, Richard Paul, Jess Robertson, and Dick Swanson.

ABSENT: Councilmember Andy Garvais.

Quorum Present.

ALSO PRESENT: City Manager Michelle Wolfe; Community Development Director Erik Thorvig; Public Works Director Jon Haukaas; Police Chief/Safety Services Manager Brian Podany; Finance Director Joe Huss; Budget/Fiscal Analyst Ward Brown; Public Services Manager/Assistant City Manager Bob Therres; City Engineer Dan Schluender; City Planner Lori Johnson; City Attorney Christopher Nelson; Communications Technician Roark Haver; Communications Manager Ben Hayle; and City Clerk Catherine Sorensen.

3.1 Midyear Development Update.

Community Development Director Thorvig provided the Council with a midyear development update and noted how COVID-19 has impacted development in the community. He compared development that occurred in 2019 to 2020. He noted four major residential developments were approved in 2020 and would be starting soon. He stated the permits were valued at \$52 million, which ranked the City third behind Lakeville and Woodbury. He explained interests remain extremely low which was good for new home buyers, however he understood construction materials were on the rise. He commented on the commercial projects that were approved this year. He stated there was concern with how the office/retail market would be impacted by the COVID crisis. Staff was encouraged by the number of improvements that people were making to their homes over the past six months.

Mr. Thorvig commented on the commercial projects that were in process including Hy-Vee, Fresh Picked Pizza, and a vacant site near County Road J/I-35W. He stated Blaine continues to be an attractive location for new developments and was hopeful this would continue into the spring of 2021.

Mayor Ryan explained the new development at Ulysses Street and 126th Avenue would provide a great new building and traffic would improve the safety at this intersection.

Councilmember Swanson asked what was going on with the parcel at County Road J and Airport Road. Mr. Thorvig stated staff reviewed plans this past week and the developer was hoping to receive approval for this project this winter.

Mr. Thorvig reported Baker's Square has closed. He indicated there was interest in this building and it may be demolished by a future developer.

Mayor Ryan requested an update on the proposed senior housing cooperative project Applewood Point. Mr. Thorvig explained staff has not heard from the developers since the Council workshop meeting.

Mayor Ryan stated there were a lot of positive things occurring in the City of Blaine. Mr. Thorvig agreed stating there were many positive things occurring amidst the pandemic but unfortunately noted there have also been some business closures. He stated the City would continue to work with businesses to offer assistance when possible.

Councilmember Paul thanked staff for the thorough report then asked if City fees should be reevaluated prior to 2021. Mr. Thorvig reported staff would be evaluating the fee schedule prior to the end of the year.

3.2 City Manager's Preliminary 2021 General Fund Budget and Tax Levy.

City Manager Wolfe discussed the goals within the proposed 2021 budget. She noted the City planned for a downturn due to the pandemic. She commented on the discussions that were held with the Council during recent worksession meetings. She noted department heads were encouraged to take a real hard look at the base budget. She stated personnel costs were the largest expense for the City each year and it was noted a 3% COLA increase had been built into the base budget. With all that being said, she was happy to report the 2021 budget was only 1.1% over the 2020 adopted budget. She provided a summary of the highlights within the 2021 budget and noted budget requests were still being considered by staff. She reported the only new or enhanced program request was for additional funding for the removal of diseased trees in City right of way. She explained the goal was to catch up on the backlog. She commented on the proposed staffing changes that could occur in 2021 based on organizational need. The needs within the Public Safety Department were discussed at length.

Finance Director Huss stated at the August 10, 2020 Workshop, staff presented to Council a preliminary budget and tax levy and discussed the next step in budget development - the City Manager's Preliminary 2021 General Fund Budget. This budget will serve as a recommendation for the 2021 Preliminary Budget and Tax Levy that is scheduled for Council approval on September 21, 2020. It was noted the City Council is required to annually adopt a preliminary levy before the end of September and certify that levy to the County. Once certified, the levy cannot be increased; it can only be decreased. Blaine's 2020 overall tax rate is 36.802% and Council consensus was to proceed as in prior years and develop a levy that, in total, produced the same overall tax rate as that of 2020. One of the challenges that Blaine staff has faced in 2020 is getting accurate, up-to-date property valuation data. Staff took a cautious, conservative approach in estimating the 2020/21 tax base and had determined that a levy that produced the same overall tax rate in 2021 as that of 2020 was more than adequate to support City operations. Within the last day, staff has received updated information from Anoka County that indicates there is an opportunity to adopt a levy that actually lowers the City's tax rate yet still provides sufficient revenue to support 2021 operations. Staff has been analyzing this information and will provide an update for Council at the September 9 Workshop.

Mr. Huss explained as staff reported at the August 10 Workshop, 2021 Base Budget Proposals were prepared by department heads and submitted to the City Manager for review. Department heads also prepared

proposals for new or enhanced programs and staffing additions or changes that were submitted as Decision Packages for the City Manager's review. Upon review and numerous discussions, the City Manager has determined that some Decision Packages have merit for further consideration. Those packages are included in the 2021 City Manager's Preliminary Budget to be discussed further by the City Council.

Councilmember Swanson asked if some of the safe margin could be used for equipment purchases to reduce long term bonding. Mr. Huss stated this was a good point and was a consideration being made by staff.

Mayor Ryan commented water has been a huge issue for the City and he wanted to be assured the City had enough people in place who were properly trained to maintain the City's water system. He explained he also wanted to make sure the Police Department's K-9 was fully funded. Police Chief/Safety Services Manager Podany reported both K-9s were reaching the end of their careers and would need to be replaced then explained he would be working with the Blaine Public Safety Association to assist with the implementation of the new K-9s.

Councilmember Swanson agreed a bit of redundancy being built into the water system would benefit the City then added he would support seeing a third K-9 being added to the Police Department. Police Chief Podany stated this K-9 addition had already been included in department planning.

Councilmember Robertson thanked staff for the thorough report on the budget. She asked what would happen past 2026 if growth in the City was capped then questioned if the lower tax rate could be sustained long term. Mr. Huss stated it appears the City could sustain the lower tax rate long term. He commented around 2024 the City would see a slow down in growth and this has been built into the budget and tax base. He reported he has levies budgeted out to 2030 and they show the City can sustain maintaining the tax rate. He indicated after full build out of the City a policy on maintaining the tax rate may have to be reconsidered.

Further discussion ensued regarding the projections that were made through 2026.

Councilmember Robertson commented she would like to not lean on finding savings from one department to only have it spent by another but rather see the City save those dollars.

Councilmember Paul questioned what decision package the City would land on. Mr. Huss stated no recommendation has been made at this time but would remain under consideration by staff and the Council.

Councilmember Hovland discussed the long range outlook for the City. He noted as the City approaches build out, service levels will also level off. He indicated this would assist with offsetting expenditures for staff.

Mayor Ryan commented on housing problems the City had in 2008 and hoped the pandemic and low interest rates would not create a new housing bubble. Mr. Huss stated he was anticipating a downturn strategy when the pandemic hit. He indicated interest rates were lower than anticipated and this would continue to be monitored by staff.

Mayor Ryan explained businesses would continue to move into Blaine because the City valued its businesses.

Councilmember Swanson questioned what the delinquency rate was for mid-year property taxes. Mr. Huss explained the delinquency rate was only 4%, which was very good.

3.3 CARES Funding Update.

Mr. Huss stated at the August 3 Council Meeting, the City Council approved the City's Small Business Grant Program. The Council committed up to \$500,000 of the \$5 million in CARES funding allocated to the City for this program. At the August 3 and 10 Workshops, staff updated the Council on other aspects of the CARES Act program including the work to date on securing the funding and retaining a consultant (Baker Tilly) to assist in establishing a funding plan. Staff has compiled a list of potential uses of the CARES funds that is currently under review by Baker Tilly. Staff will continue to provide the Council with regular updates regarding the use of CARES Act funds and the status of CARES-funded programs.

Mr. Thorvig explained the first round of applications closed on and explained staff was hoping to get 25 applications and ended up receiving 30. He commented some may not be eligible, but it was staff's hope to get out the first \$250,000 from these applications. He reported round two would open on September 21.

Mr. Huss commented Baker Tilly was completing a spending plan for the City to review. He noted Baker Tilly has indicated there was a low risk in making this funding available to local businesses or for PPE expenditures. He provided further comment on expenditures that would be covered by CARES Act dollars for the City of Blaine.

Councilmember Robertson asked how the City differentiated between lost revenue and financial assistance. Mr. Huss explained this needs additional discussion with Baker Tilly. He explained CARES Act dollars were not meant to cover lost revenue, but rather could cover costs due to the Coronavirus.

Mayor Ryan discussed how the local business grants would greatly benefit Blaine small businesses. He anticipated these dollars would help pull some of these businesses through the current pandemic.

3.4 COVID-19 Impacts.

Councilmember Robertson discussed Fogerty Arena and noted at a recent Board meeting the group discussed how difficult things were due to the Governor's executive orders. She reported this amenity was really struggling and believed this arena was an asset to the community. She recommended the City Council consider providing CARES Act dollars to the Fogerty Arena perhaps in an amount over \$10,000.

Mayor Ryan stated he understood the arena was struggling because people were not allowed to use the space.

Councilmember Robertson stated Fogerty has not been able to do business since April. She anticipated they would not be able to survive without assistance from the City or State.

Mayor Ryan commented the National Sports Center was in the same predicament.

Councilmember Robertson indicated she did not want the City to have to choose one entity over the other but noted Fogerty was a locally run business and was not operated by a State agency. Ms. Wolfe explained the City was sensitive to time and noted the CARES Act dollars had to be spent by November 15. She understood the City had to move forward and to honor this and the City was analyzing lists in order to keep the Council apprised on the CARES Act expenditures.

Mayor Ryan stated Councilmember Robertson makes a good point then noted he did not want to see the City lose more businesses.

The Workshop was adjourned at 7:25 p.m.

ATTEST:

Tom Ryan, Mayor

Catherine Sorensen, CMC, City Clerk
Submitted by Minute Maker Secretarial