



CITY COUNCIL WORK SESSION
Public Works: 4058 St. Francis Blvd NW
Monday, December 12, 2022 at 6:00 PM

AGENDA

1. CALL TO ORDER

[A.](#) Budget and Levy Discussion

2. ROLL CALL

3. AGENDA ITEMS

4. ADJOURNMENT

Councilmember Joe Muehlbauer is attending via Zoom from:
5223 S Priest Dr Tempe AZ 85283

Join Zoom Meeting

<https://us02web.zoom.us/j/88285827025?pwd=YjBWUm14Q3hzZ2tKMXRqVldTSTVWZz09>

Meeting ID: 882 8582 7025

Passcode: mrg1wx

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WORK SESSION AGENDA REPORT

TO: Mayor and Council
FROM: Kate Thunstrom, City Administrator
SUBJECT: Budget and Levy Discussion
DATE: 12-12-2022

OVERVIEW:

On December 5th, Council was requested to set the annual levy. At that time public comment was received and Council requested a further review at the park and building budgets.

At the meeting Staff presented Council with the following information:

- 2023 preliminary tax rate is 49.511% (down from 2022 at 51.146%)
- Maximum levy set in September was \$5,557,690 including an increase in:
 - Building from \$470,000 to \$870,000
 - Parks from \$0 to \$450,000. This was funded by \$200,000 levy with an additional \$250,000 ARPA adjustment
- Property taxes are calculated based on:
 - Market values
 - Levies set by governing boards (county, city, school, spec districts)
 - Fiscal Disparities

In addition to information regarding the park and building, Staff has also provided information on the State Homestead Exclusion to show how that affects properties as they increase in value and an updated chart that shows the breakdown by property value.

Council to provide Staff with final input for the Resolution to Certify Taxes and Adopt a Budget for 2023 to be presented at the December 19th, regular City Council meeting.

Attachments:

- City Park Overview
- Combined City Hall-Fire Station Overview
- Homestead Market Value Exclusion, definition provided by Mn Dept of Revenue
- Market Value vs. Tax Capacity Value Chart

CITY PARK OVERVIEW

The City has parks, trails and structures that have been in place for over 30 years. As these amenities were installed there was little planning on the future for replacement costs. One example would be the Playground at Degardner that was removed and not replaced due to the cost of the play structures and the lack of funding set aside to meet these needs. Additionally, the City is facing the need for replacement of roofs on the picnic shelter, Gazebo, concession building, warming house and Highland park shelter. All five of those roofs are due or overdue.

Throughout the budget process and at a work session it was discussed to begin addressing the financial shortfalls of the park system. If a play structure fails we are required to remove it for safety purposes. The lack of funding for the replacement of roofs, structures and pavement continues to build into a greater amount every year it is postponed. It is estimated, in 2022-dollar values, that by 2040 we are responsible for \$6,140,000 dollars for maintaining what we have.

REPLACEMENT SCHEDULE

Item	Park	Category	Timing	Estimate
Playground	Rum River Woods	Playgrounds	2022	\$ 150,000
Picnic Shelter Asphalt Roof	Community	Shelters	2022	\$ 10,000
Gazebo Roof	Woodbury	Shelters	2022	\$ 10,000
Baseball Softball Field Irrigation	Hidden Ponds	Ballfields	2023	\$ 30,000
Concession Building Roof	Community	Buildings	2023	\$ 35,000
Warming House Roof	Community	Buildings	2023	\$ 25,000
Picnic Shelter Wood Roof	Highland Woods	Shelters	2023	\$ 10,000
Hockey Rink	Community	Other Site Improvements	2024	\$ 50,000
Parking Lot	Hidden Ponds	Parking	2024	\$ 150,000
Playground	Degardner	Playgrounds	2024	\$ 150,000
Bituminous Trails	Degardner	Trails	2024	\$ 45,000
Bituminous Trails	Hidden Ponds	Trails	2024	\$ 70,000
Parking Lot A	Community	Parking	2025	\$ 80,000
Parking Lot B	Community	Parking	2025	\$ 30,000
Parking Lot C	Community	Parking	2025	\$ 50,000
Playground	Durigan Locher	Playgrounds	2025	\$ 150,000
233rd Ave NW Trail	ROW	Trails	2025	\$ 100,000
Warming House Mechanicals	Community	Buildings	2026	\$ 15,000
Picnic Shelter Structure	Community	Shelters	2026	\$ 150,000
Bituminous Trails	Durigan Locher	Trails	2026	\$ 20,000
Bituminous Trails	Highland Woods	Trails	2026	\$ 75,000
Playground	Hidden Ponds	Playgrounds	2027	\$ 150,000
Playground	Highland Woods	Playgrounds	2027	\$ 150,000
Pederson Dr	ROW	Trails	2027	\$ 80,000
Parking Lot	Seelye Brook	Parking	2028	\$ 50,000

Bituminous Trails	Deer Creek 2nd	Trails	2028	\$	70,000
Bituminous Trails	Rum River Woods	Trails	2028	\$	10,000
Bituminous Trails	Seelye Brook	Trails	2028	\$	20,000
Rum River Blvd	ROW	Trails	2028	\$	375,000
Baseball Softball Field	Hidden Ponds	Ballfields	2029	\$	250,000
Parking Lot	Rum River Boulevard	Parking	2029	\$	40,000
Ambassador Blvd	ROW	Trails	2029	\$	60,000
Playground	Deer Creek 2nd	Playgrounds	2030	\$	200,000
Basketball Court	Degardner	Courts	2031	\$	75,000
Playground	Community	Playgrounds	2031	\$	500,000
Playground	Seelye Brook	Playgrounds	2031	\$	150,000
Ballfield	Community	Ballfields	2032	\$	250,000
Bridge Street North	ROW	Trails	2032	\$	175,000
Bituminous Trails	Community	Trails	2033	\$	450,000
Concrete Trails	Community	Trails	2033	\$	15,000
Bridge Street South	ROW	Trails	2033	\$	100,000
Fountain	Woodbury	Other Site Improvements	2034	\$	60,000
Memorial Garden	Woodbury	Other Site Improvements	2034	\$	20,000
Picnic Shelter	Deer Creek 2nd	Shelters	2035	\$	150,000
Bituminous Trails	Woodbury	Trails	2035	\$	35,000
Concrete Trails	Woodbury	Trails	2035	\$	30,000
Brick Trails	Woodbury	Trails	2035	\$	75,000
Warming House Building	Community	Buildings	2036	\$	750,000
Picnic Tables and Pads	Rum River Boulevard	Shelters	2037	\$	10,000
Concrete Trails	Rum River Boulevard	Trails	2037	\$	15,000
Picnic Shelter Structure	Highland Woods	Shelters	2038	\$	150,000
Parking Lot	Woodbury	Parking	2039	\$	50,000
Natural Resource Allowance	System Wide	Natural Resources	2040	\$	15,000
Gazebo Structure	Woodbury	Shelters	2040	\$	150,000
Signage Allowance	System Wide	Signage	2040	\$	5,000
New Trail Construction Fund	System Wide	Trails	2040	\$	50,000
				\$	6,140,000

FUNDING DISCUSSIONS

At the June 28th Work Session, the following was discussed and therefore set as the Preliminary Levy in September

Park Fund (non-dedication)

To date, parks have been built with no plan into the future. HKGi started with the City inventory and included plans for future parks. A park plan has been created with a financial plan to replace and maintain. The formal park plan will be before Council July 18th.

For the purposes of the 2023 budget staff has set aside an annual balance of \$200,000 into a dedicated park fund. This is far below the suggested needs by HKGi at roughly \$428,000 a year just for replacement needs for our existing park structures.

When considering parks, it is not just about the playground sets. This includes the community sign, the hockey rink and warming house, the concession stand, pavilions, trails, parking lots, biffy structures, garbage cans, to lighting and signage. This cannot be looked at as only new investment but taking care of what we have. Existing park features all have a shelf life. A playground set may last 20-25 years. The hockey rink boards need replacement now and eventually our structures such as the warming house and concession stand need remodeling. Using Siwek Park for example, we should be setting aside funds to replace the \$112,000 play structure in 2042.

Park dedication is required to be used for acquisition and development or improvement of parks. Not for repair and replacement. At our current rate, the city needs to receive at least 36 units of park dedication a year for the next 18 years to meet new infrastructure.

Grants for parks typically require a level of city matching funds Setting aside funds for parks allows the city to apply for grants, hit shortfalls needed for current replacement and structures and fill gaps against park dedication for new expanded services.

At the work session it was decided to utilized an uncommitted, balance of ARPA funds to assist in addressing the needs of parks along with an annual \$200,000 per year set levy amount. This would provide staff the ability to meet minimal needs in 2023 and 2024 but set a path to move forward.

Currently we are at the following with ARPA funds

Total received:	\$865,000 (received an increase)
Budgeted for:	\$150,000 Broadband
	\$175,000 Software (updated number)
	\$ 50,000 Bargaining Contract
Uncommitted Balance:	\$490,000

The proposed 2023 and 2024 Levy for Parks is identified as \$450,000. Starting in 2025 an annual amount will drop to \$200,000 for Parks. This signifies the levy only portion of the budget amount.

COMBINED CITY HALL – FIRE STATION OVERVIEW

Staff has located records back to 2000 that show the need for additional space and improvements with City Hall. Since that time there have been extensive amounts of studies, staff time and property acquisition to support moving forward with this project. As it may appear as a project that began recently, it is a project that began in 2000.

The City Hall building is owned by the City and was purchased in 2007. When Council acquired this building, the City had a population of 7,000 people. Today, the City has a population of over 8,200 and eight staff within City Hall. With increased demands for new development, building permits and technical assistance provided to residents, the building no longer adequately addresses resident demands on staff. The location continues to be an increased challenge with parking, is aging and repairs are due, it does not provide the needed storage of required public data or provide the space required for the ability to meet State election requirements every other year. The city continues to rent space from the school district for both Planning and Council meetings.

The Fire Department original structure was built in 1965. Since that time, it has been added onto to make it functional. The building lacks several components to address the health and safety of our staff and is deteriorating. Ongoing concerns with the Fire Department will be the ability to address the ongoing needs of the residents. Service calls upon our Fire Department continue to increase annually and will increase further with growth. The ability to staff the building in major weather or events becomes more questionable and the building itself fails to meet the safe health practices. The building is also responsible for protecting the hundreds of thousands of dollars of service equipment that saves the lives and protects the homes of the residents.

This project is an effort to address the issues and deficiencies of two City owned facilities by combining them into one building which benefits the general public. The City will sell the City Hall building bringing it back to commercial offices, reducing the time of Public Works staff for exterior and seasonal needs, combine utilities and share administrative staffing.

Concept History and Expenditures to Date

History shows that for several years the city has been struggling to achieve its needs on facilities. Below is a list of what has been found in attempts to correct issues at City Hall in the past. Each study and attempt is a financial commitment with a consulting company and extensive staff time.

- Completed in past attempts:**
- 1999 Police Department, Space Study
 - 2000 City Hall – Bottle Shop building, Space needs study. Recommendation to move city hall out to expand liquor. Council approved City hall to move to Bridge street 8-6-2001.
 - 2002 - 2003 City Hall sites identified were the East Shop site, Hwy 47 site and Lighthouse Church. Community Center discussed as part of City Hall Police building. Architectural work completed.
 - 2003 City Hall space study for Oakland Learning Center site
 - 2004 City Hall – PD, Space needs study.
 - 2004 City acquires 40 acres for \$300,000
 - 2005 City Hall - PD development Study and plan on 40 acres (Roanoke and 241st)
 - 2007 City moved into 23340 Cree Street building, \$500,000
 - 2008 Levy being collected for new City Hall
 - 2009 Public Works, Space needs study. Lead to building of current PW/PD facility
 - 2010 Mayor created a video on city space needs

2011 PPW Facility was built. Built with funds that had been set aside for new City Hall
2015– Council reviews proposal for \$500,000 for repairs to existing Fire station

Extensive staff time, professional studies and architectural reviewed completed. Did not move forward.

Total investment – exact dollar amounts unable to be determined.

Bridge Street has been a site reviewed for City Hall in the past and is the current location of the Fire Department. With this history and the data collected by the residents in a planning step in 2017 it was determined that the current fire department location would move forward as the site for the combined building. The City has taken several initiatives on Bridge Street for redevelopment including the investment to remove blighted structures. The City Campus is seen as an anchor for these efforts.

Bridge Street Investment to date:

- \$92,800** 2017, HKGi community planning to create the St. Francis Forward Re-Development Plan
- \$200,000** 2017, acquisition and demolition of 3757 Bridge St
- \$225,000** 2018, acquisition and demolition of 3765 Bridge St
- \$225,000** 2019, acquisition and demolition of 3731 Bridge St
- \$14,000** 2019, Planning and Council adopted Design standards
- \$430,000** 2020, Acquisition and demolition of 3772 Bridge St and 22791 Ambassador
- \$180,000** 2021, acquisition and demolition of 23115 Ambassador Blvd

\$1,366, 800 total investment on planning and real property

When Council was faced with expensive needs at the Fire Station they again began the process to move forward with a new facility. In 2018 Council began to set aside a levy reserve towards a new facility and completed yet another space needs study. From there, this project has continued to move forward to our conversation today.

Current Project Concept to date:

- \$49,302.64** 2018, space needs study of City Hall and Fire Station
- \$23,500.00** 2022, June - Brunton Architect Pre-Design contract
- \$10,000.00** 2022, October – City award Design Build Contract to Brunton Architect, total Contract \$880,000
- \$6,080.00** November – Geotech Evaluation approved
- \$1,816.74** November – post card for Open House mailed
- \$1,500.00** Continuous – Engineering, Legal and Planner fees (plat, site review, contracts)

\$92,199.38 Total Investment to date

FUNDING DISCUSSIONS

Annual allocation of tax levy for new City Hall/Fire facility,

- Reserve collection began in 2018 to set aside funds for new facility
- Cash Balance as of 12-31-2022 \$746,000
- Discussed increasing levy reserve at Work Session 6-28-2022
- Preliminary Levy set, September
- Set Final Levy and budget, December.

CIP Bond

- Discussed at Work Session 8-29-2022 to move forward
- Public Hearing, Oct 3rd 2022, Authorized Council to Bond up to \$13,000,000

Funds being set aside for the building fund must also be used to meet current facility needs. As the City holds a current cash balance, if we move to correct minor (or major) issues at either of the current facilities it will be drawn from the cash balance.

FINANCING OPTIONS TO BE CONSIDERED

Continue As-Is
Maintain levy to increase to \$870,000
<p>2023</p> <ul style="list-style-type: none"> • January – release RFP for Construction Manager • February – Selection of Construction Manager • March – Site Plan review in the Planning Commission and Platting • July – Release bid for construction • August – sell Bond and break ground
<p>2024</p> <ul style="list-style-type: none"> • Levy amount to remain at the \$870,000 • First payment towards Bond required
<p>2025</p> <ul style="list-style-type: none"> • Levy amount increased/decreased to make actual Bond payment requirement • February – new facility opened • Sell existing City Hall building to pay back soft costs

Delay Bid to 2025 – annual increase of \$200,000						
Future Tax Levies	2022	2023	2024	2025	2026	2027
General Levy						
General Fund Levy	\$ 3,271,000	\$ 3,250,000	\$ 3,350,000	\$ 3,550,000	\$ 3,750,000	\$ 3,950,000
Capital Equipment	\$ 260,000	\$ 280,000	\$ 300,000	\$ 320,000	\$ 340,000	\$ 360,000
Building Improvement Fun	\$ 470,000	\$ 670,000	\$ 870,000	\$ 1,070,000		
Park		\$ 450,000	\$ 450,000	\$ 200,000	\$ 200,000	\$ 200,000
Street Improvement Fund	\$ 300,000	\$ 360,000	\$ 420,000	\$ 480,000	\$ 540,000	\$ 600,000
Total General Levy	\$ 4,301,000	\$ 5,010,000	\$ 5,390,000	\$ 5,620,000	\$ 4,830,000	\$ 5,110,000
Debt Service Levies						
2013 Refunding	\$ 20,900					
2015 GO	\$ 20,470	\$ 20,470	\$ 20,470	\$ 20,470		
2017 Capital Improvement	\$ 327,220	\$ 327,220	\$ 327,220	\$ 327,220	\$ 327,220	\$ 327,220
City Hall/Fire Station	\$ -	\$ -			\$ 1,070,000	\$ 1,070,000
Total Debt Service Levy	\$ 368,590	\$ 347,690	\$ 347,690	\$ 347,690	\$ 1,397,220	\$ 1,397,220
Total Levy	\$ 4,669,590	\$ 5,357,690	\$ 5,737,690	\$ 5,967,690	\$ 6,227,220	\$ 6,507,220
Tax Levy Increase		\$ 688,100	\$ 380,000	\$ 230,000	\$ 259,530	\$ 280,000
% increase		14.74%	7.09%	4.01%	4.35%	4.50%
Amount Potentially Saved for Building (2022-2025)					\$ 3,080,000	

Levy amount for 2026 would be increased/decreased based on actual project cost IF bid in 2025 before September or in 2027 if be in or after September.

Delay to 2027 Bid						
City of St. Francis Future Tax Levies	2022	2023	2024	2025	2026	2027
General Levy						
General Fund Levy	\$ 3,271,000	\$ 3,250,000	\$ 3,350,000	\$ 3,550,000	\$ 3,750,000	\$ 3,950,000
Capital Equipment	\$ 260,000	\$ 280,000	\$ 300,000	\$ 320,000	\$ 340,000	\$ 360,000
Building Improvement Fun	\$ 470,000	\$ 570,000	\$ 670,000	\$ 770,000	\$ 870,000	\$ 970,000
Park		\$ 450,000	\$ 450,000	\$ 200,000	\$ 200,000	\$ 200,000
Street Improvement Fund	\$ 300,000	\$ 360,000	\$ 420,000	\$ 480,000	\$ 540,000	\$ 600,000
Total General Levy	\$ 4,301,000	\$ 4,910,000	\$ 5,190,000	\$ 5,320,000	\$ 5,700,000	\$ 6,080,000
Debt Service Levies						
2013 Refunding	\$ 20,900					
2015 GO	\$ 20,470	\$ 20,470	\$ 20,470	\$ 20,470		
2017 Capital Improvement	\$ 327,220	\$ 327,220	\$ 327,220	\$ 327,220	\$ 327,220	\$ 327,220
City Hall/Fire Station	\$ -	\$ -				
Total Debt Service Levy	\$ 368,590	\$ 347,690	\$ 347,690	\$ 347,690	\$ 327,220	\$ 327,220
Total Levy	\$ 4,669,590	\$ 5,257,690	\$ 5,537,690	\$ 5,667,690	\$ 6,027,220	\$ 6,407,220
Tax Levy Increase		\$ 588,100	\$ 280,000	\$ 130,000	\$ 359,530	\$ 380,000
% increase		12.59%	5.33%	2.35%	6.34%	6.30%
Amount Potentially Saved for Building (2022-2027)				\$ 4,320,000		

Levy amount for 2028 would be increased/decreased based on actual project cost IF bid in 2027 before September or in 2029 if bid in or after September.

POTENTIAL COST OF WAITING

The project total cost of the project in 2023 is \$12,000,000 (including contingency, FFE, etc.). Below are two sets of potential inflationary examples based on an annual increase of the percentage identified.

National Fire Station average inflation from 2015 to 2020, 14.2% per year:	Nonresidential building inflation has averaged 4.5% average, per year (Construction Analytics, 11/2022):
Inflated amount by 2025 \$13,704,000	Inflated amount by 2025 \$13,104,300
Inflated amount by 2027 \$20,410,124	Inflated amount by 2027 \$14,310,223

CURRENT FACILITY NEEDS:

Both buildings need to address deficiencies in 2023. As some of the changes are to address immediate needs, the longer we keep the existing buildings in place the more demands these buildings will need. A few of the current needs are as follows:

City Hall

- Staff needs to close the community room for the full time use of City Hall in 2023.
 - This space would be used for all meetings freeing up internal space and be prepared to address the 2024 election needs. A door would be built to connect the two sides internally.
- Building maintenance to be addressed
 - Roof, Contractor estimate of \$38,000
 - Pavement replacement, estimate of \$40,000.

Fire Department

- Stormwater and pavement issues. \$200,000
 - Unpaved alley and poor pavement is deteriorating foundation and water disappears into a space unknown under the building
- Replacement of apparatus bay infrared heating units.
 - Scheduled in CIP for 2022. \$40,500
 - Was not purchased due to new building discussion
- Lighting
 - Estimate has not been collected yet
- Obtain a structural Engineer and make necessary improvements to building to shore up deficiencies

Homestead Market Value Exclusion

The Market Value Exclusion reduces the taxable market value for property classified as homestead if it is valued below \$413,800. By decreasing the taxable market value, net property taxes are also decreased.

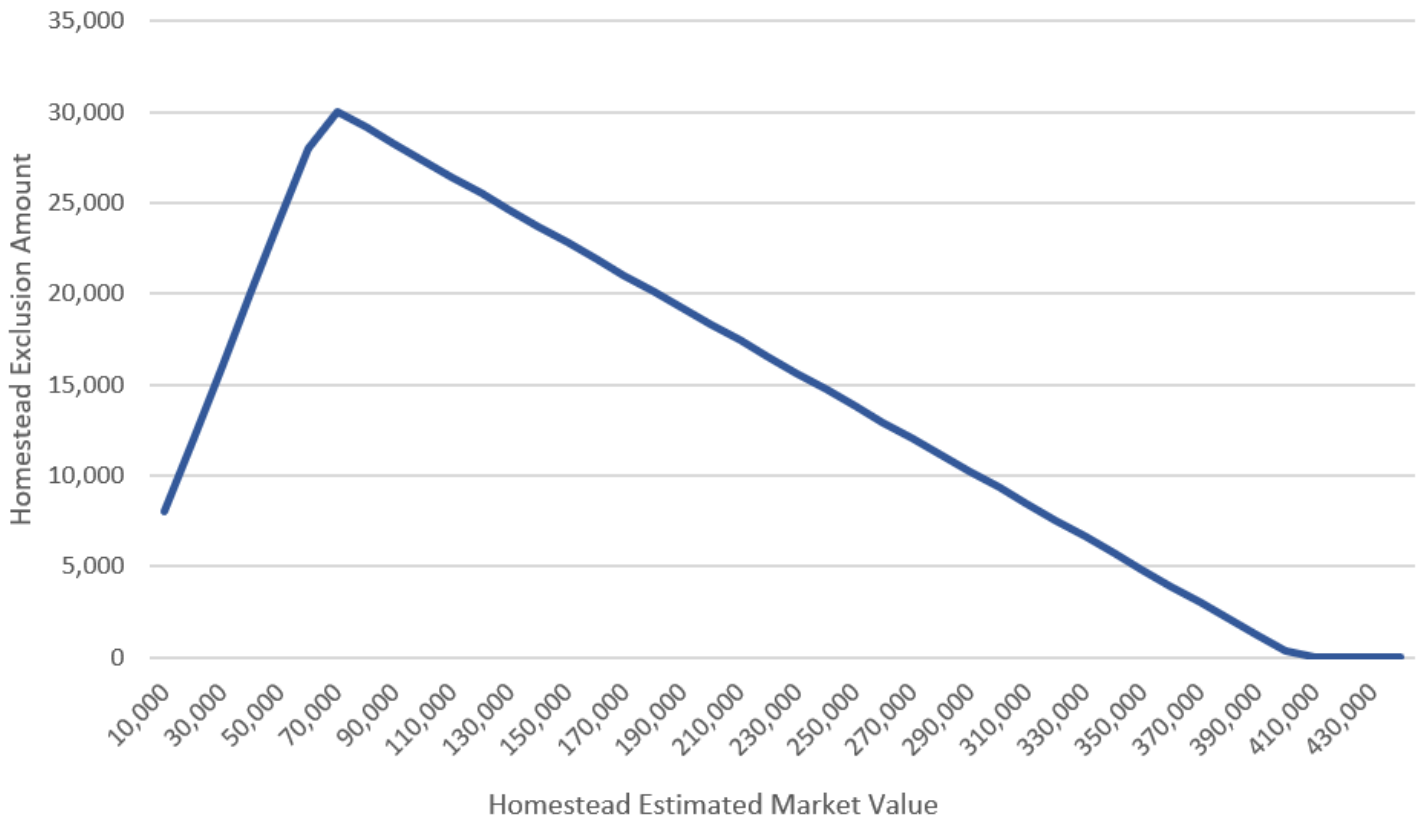
How the Exclusion Works

The exclusion reduces the taxable market value of qualifying homestead properties. By decreasing the taxable market value, net property taxes are also decreased.

How the Exclusion is Calculated

For homesteads valued at \$76,000 or less, the exclusion is 40% of the market value, creating a maximum exclusion of \$30,400. The exclusion is reduced as property values increase, and phases out for homesteads valued at \$413,800 or more. Properties that are partial homesteads (for example, when only one of two owners lives there) will have a reduced exclusion.

Homestead Market Value Exclusion



Examples

Example 1: A residential homestead with an estimated market value of \$280,000

Since this property has a value over \$76,000 we need to determine the amount of value over \$76,000. Next, we multiply that amount by 9% to determine the reduction from the maximum of \$30,400. This example has an exclusion amount of \$12,040.

Homestead Market Value Exclusion Calculation:

1. Initial/Maximum Exclusion: $\$76,000 \times 40\% = \$30,400$
2. Value over \$76,000: $\$280,000 - \$76,000 = \$204,000$
3. Benefit Reduction Amount: $\$204,000 \times 9\% = \$18,360$
4. Final Exclusion Amount: $\$30,400 - \$18,360 = \$12,040$
5. Taxable Market Value: $\$280,000 - \$12,040 = \$267,960$

As you can see, this reduces the property's taxable value from \$280,000 to \$267,960.

Example 2: Residential homestead with an estimated market value of \$350,000.

The value of the property has increased therefore the exclusion amount for this property will be reduced.

Since this property has a value over \$76,000 we need to determine the amount of value over \$76,000. Next, we multiply that amount by 9% to determine the reduction from the maximum of \$30,400. This example has an exclusion amount of \$5,740.

Homestead Market Value Exclusion Calculation

- 1. Initial/Maximum Exclusion: $\$76,000 \times 40\% = \$30,400$
- 2. Value over $\$76,000$: $\$350,000 - \$76,000 = \$274,000$
- 3. Benefit Reduction Amount: $\$274,000 \times 9\% = \$24,660$
- 4. Final Exclusion Amount: $\$30,400 - \$24,660 = \$5,740$
- 5. Taxable Market Value: $\$350,000 - \$5,740 = \$344,260$

As you can see, this reduces the property's taxable value from $\$350,000$ to $\$344,260$.